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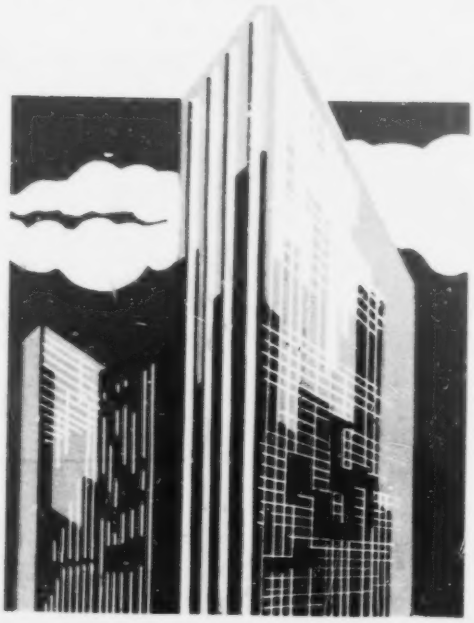
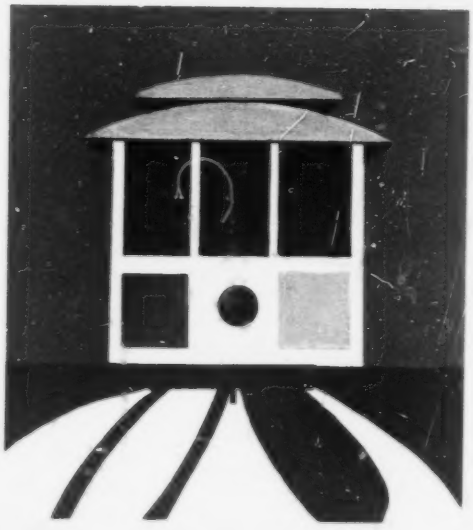


U.S. LODGING INDUSTRY



1981

U. S. Lodging Industry

49th Annual Report on Hotel and Motor Hotel Operations

1981 Edition

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The U.S. Lodging Industry Today and Tomorrow

by John D. Lesure and Randell A. Smith
Research, Development and Education Division
Philadelphia, Pennsylvania

The occupancy rate dropped 3.5 percent in 1980, while total sales rose by 11.4 percent, according to Laventhol & Horwath's monthly *National Trend of Business in the Lodging Industry*. The sales increase was based on a 13.5 percent increase in room sales and a 7.5 percent increase in food and beverage sales. Room sales per occupied room reached $42.10, a 15.5 percent increase over 1979.

For the first seven months of 1981, room occupancy was down 2.6 percent, dropping to 69 percent from the same period in 1980. The double occupancy rate was slightly higher, up 0.4 percent. Room sales per occupied room rose only 10.7 percent, more than 30 percent lower than the rate of increase recorded for the first seven months of 1980. The drop in room occupancy and the decelerating growth rate of room rates resulted in an increase in total sales of only 7.9 percent. This is the lowest rate of growth in total sales that Laventhol & Horwath has recorded during this time frame in more than five years.

Trends in occupancy and room rates

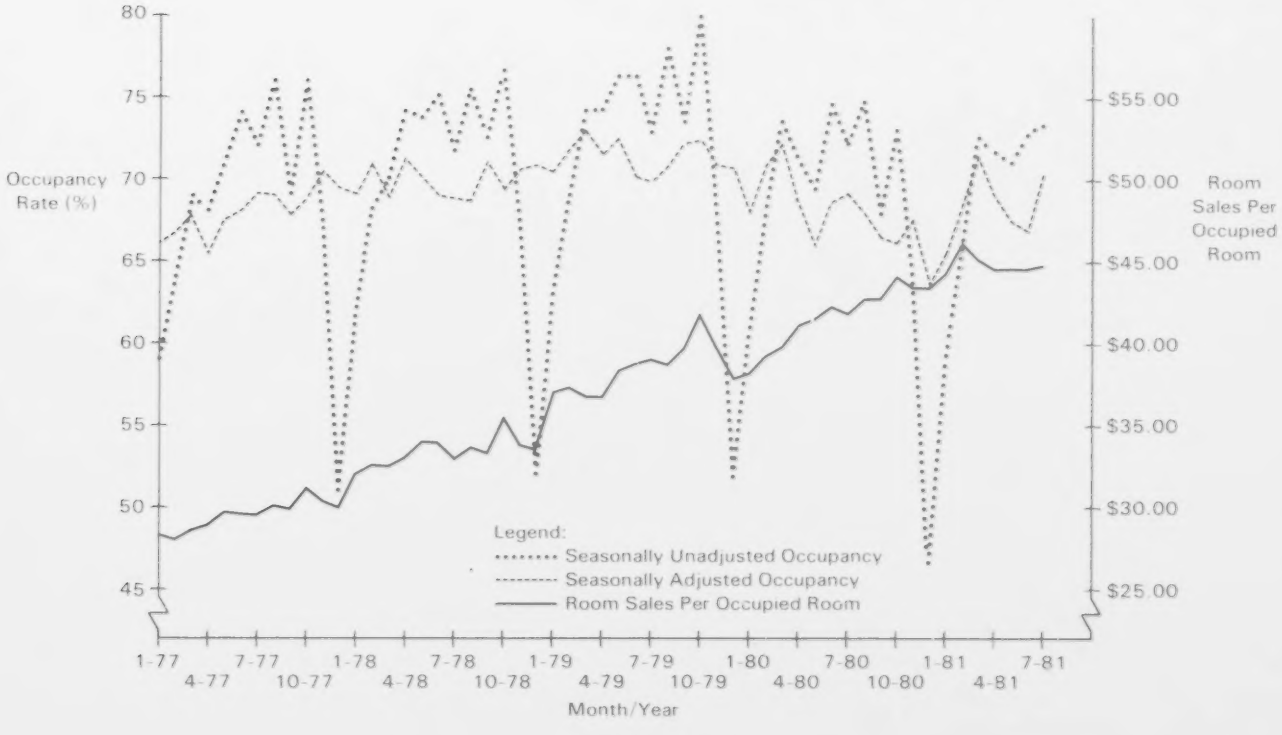
During the past year, there has been considerable discussion and publicity regarding the increase in room rates. In the chart on page 4, room occupancy and room sales per occupied room as reported in Laventhol & Horwath's monthly *Trend* are shown for the past four years for the total United States.

Since the information gathered has been for room sales and rooms occupied, room sales per occupied

room were used as an indicator of the trends in room rates. Because room sales per occupied room reflect the combined impact of group discounts, variations in the mix of rooms occupied, and changes in double occupancies, it indicates the average revenue per day a lodging establishment receives for each room occupied.

As shown in the chart, the seasonally adjusted occupancy rate rose from 66 percent in January 1977 to a cyclical peak of about 73 percent in the fall of 1979. Throughout 1980, the occupancy rate drifted downward, falling to a seasonally adjusted low of 63.5 percent in December. During 1981, the results have been mixed with seasonally adjusted occupancies increasing during the first quarter and falling during the second. Room sales per occupied room, however, have been increasing at a fairly rapid pace throughout the time span covered in the chart.

In January 1977, room sales per occupied room were $28.40. Over the following four and one-half years, this figure climbed at an average annual growth rate of 10.4 percent. During 1980 alone, room sales per occupied room rose nearly 16 percent, while occupancy rates dropped 3.5 percent. Because of declining demand, this aggressive pricing policy enabled operators to boost both earnings per available room and profit margins. While room sales per occupied room during 1981 continue to exceed the results for the corresponding period last year, as previously mentioned, it has increased only marginally since January 1981. For example, the room sales per occupied room in January were $44.20 and only $44.78 by July. Therefore, the rapid increase in room rates has begun to moderate and will probably be less than 10 percent for the entire year. A problem has resulted, however, from the aggressive room rate increases in 1980. The rapid jump in transporta-



Occupancy and Room Rates (January 1977–July 1981)

SOURCE: *NATIONAL TREND OF BUSINESS IN THE LODGING INDUSTRY*, LAVENTHOL & HORWARTH

tion costs, food-away-from-home costs and room rates, combined with an increasing emphasis on "time management," have caused businesses to scale back travel expenditures and actively search for alternatives to travel for their executives. For example, information can be transmitted instantaneously virtually anywhere in the country, alleviating the need for people to communicate face-to-face. Teleconferencing, while still in its initial developmental stage, is rapidly gaining acceptance by companies. Atlantic Richfield, for example, has recently undertaken the installation of a $16 million teleconferencing network that could reduce their travel requirement by as much as 20 percent.

Essentially, the lodging industry has to realize that even though it provides a unique service to travelers, increased competition from sources outside of the industry may reduce the growth rate in the number of travelers, and subsequently, the number of rooms demanded. Consumers and businesses are becoming more cost conscious and unless there is a corresponding increase in the quality of service provided, the price/value relationship will deteriorate.

Outlook

Lodging demand should remain relatively stable or slightly lower for the rest of 1981. While the occupancy rate will decline about 2 percent during 1981, total sales should increase 8 to 10 percent.

Based on an analysis conducted by Laventhol & Horwath several years ago, we determined that new construction was one of the major stimulators of lodging demand. Because of the high level of interest rates, the construction industry has suffered more in the past two years than perhaps any other industry. In addition, high interest rates reduce the individual operator's and the major chain's ability to renovate and improve the existing supply of rooms and also reduces their willingness to construct new properties.

The Reagan Administration succeeded in passing the Economic Recovery Tax Act of 1981, which is designed to increase investment and construction, reduce inflation and eventually reduce interest rates. The Administration's ability to accomplish these goals simultaneously is being questioned by an increasingly skeptical investment community. They believe that the deficit created by the tax cuts and other government borrowing is going to continue to absorb a large portion of the money available for investment. Thus, interest rates are not expected to decline rapidly and also remain lower until at least mid-1982. There are a number of features included in the Economic Recovery package that should encourage investment along with providing tax cuts for individuals. While these changes will be beneficial to the lodging industry, their impact will be marginal unless interest rates decline.

The comments from Laventhol & Horwath offices nationwide are generally optimistic about the state of the lodging industry in the next several years. New hotels are being constructed at a moderate pace, in contrast to years past when construction of new hotels followed a roller coaster, boom-bust cycle.

On a long-term basis, hotel managers continue to be concerned about the availability and cost of human resources required by the industry, particularly in view of the nation's changing demographics. There will be fewer people in the 18 to 29 year age group, a segment of the population that provides a large percentage of foodservice and housekeeping personnel. As the industry expands, management's ability to provide personal service to their guests at a reasonable price is going to be increasingly difficult. But given the industry's past reputation for coping with difficult circumstances, it will be far from impossible. ■

Comments From Around the Country

From Anchorage

The performance of the Anchorage lodging industry began to improve in late summer 1980 following two years of below average results. The 1980-81 winter occupancy rates increased 7 to 10 percent from the prior year, exceeding even the most optimistic projections. The 1981 growth rate for Alaska overall is expected to be close to the normal pre-1979 rate of 10 to 12 percent.

The increase in occupancy rates is due largely to the corporate and government markets. Projects 80, the multimillion dollar expansion program enacted in 1979, and other government projects have resulted in a substantial increase in business travel. Additional increases should occur when actual construction begins.

Off-season (winter) tourism is increasing and is expected to expand even more as a result of the promotional campaign conducted in Japanese and Western European markets by the Anchorage Convention and Visitors Bureau. Within the next three years, a substantial increase in foreign visitors is anticipated to Alaska, in general, and Anchorage, in particular, assuming that the dollar does not strengthen significantly in relation to other currencies.

Although tourism overall has not shown the same improvement as the business travel market, efforts to extend the tourist season beyond the traditional summer boundaries (June 15 to September 15) and make use of previously underutilized facilities are expected to result in increased revenue without substantially increasing overall costs.

Room rates probably will have increased 6 to 9 percent by midsummer 1981, but contract business in the corporate and government areas is still highly competitive, and average daily rates may not reflect this total increase.

Although the outlook for the Anchorage lodging industry has clearly improved, there is still an oversupply of hotel rooms. It is anticipated that demand will catch up within the next two to three years, and no major new construction is expected in the near future.

Gay B. Vann
Anchorage

From Atlanta

The growth in demand that has characterized the Atlanta lodging market since the mid-1970s diminished slightly in some areas during 1980, and a significant number of new rooms entered the market. The estimated 1980 occupancy for the metropolitan area was in the low 70 percent range, about three points below the 1979 level. However, the average room rate increased about 16 percent during the year.

Escalating travel costs and other recessionary pressures had a negative effect on the convention market during 1980. As a result of heavier than normal group no-shows, occupancy in major downtown hotels declined to 73 percent from 77 percent in 1979. This was offset somewhat by an estimated 17 percent increase in the average room rate.

Future prospects for the downtown lodging market are excellent. Convention-related demand should increase substantially with the expansion of the Georgia World Congress Center, expected to be completed by early 1984, which will double the size of the 150,000-square-foot facility and enable Atlanta to compete more effectively in the convention and trade meeting market. Other factors that have spurred downtown hotel development include:

- Construction of Georgia Pacific Corporation's new 1.2 million-square-foot 52-story headquarters and Marathon U.S. Realties' 800,000-square-foot office building.
- The opening of Southern Bell's 2.1 million-square-foot office building, computer center and retail plaza.
- Continued revitalization and development of the downtown core.

The Hyatt Regency is constructing an additional 350 guest rooms and 17,000 square feet of meeting and exhibit space. Construction of John Portman's long awaited 1,800-room hotel began in June 1981. The hotel is the first phase of a mixed-use development containing office and retail space. Other proposed additions to the downtown lodging supply include a 130-room addition to the 470-room Omni International Hotel, a 400-room Days Inn and a 500-room luxury hotel being developed by Atlanta-based W.B. Johnson Properties, Inc.

Hotels in the airport area experienced the most significant decline in occupancy during 1980, dropping 6 to 8 points from 1979 to 69 to 71 percent by year-end. The average room rate increased about 16 percent. The decline in demand was attributable to a softening of the commercial transient market, a decline in domestic air travel and a significant increase in meeting delegate no-shows.

The opening of the Midfield Terminal complex, with its expanded pas-

senger capacity, at what is now the world's second busiest airport, combined with continued commercial and industrial development in the airport area, has generated interest in new hotel development. A 650-room Marriott opened in January 1981 and a 232-room Holiday Inn is under construction south of the airport. Construction will soon begin on a 509-room Ramada Renaissance and a 620-room Hyatt Regency Hotel.

In northwest Atlanta, hotel development activity remains strong. The 805-room Marriott, which opened in May 1980, completed a 100-room expansion later in the year. The opening in late 1980 of a 224-room Hilton Inn, a 212-room Guest Quarters and a 294-room Holiday Inn resulted in an estimated 28 percent increase in room night demand compared with 1979. The average room rate increased about 15 percent in 1980.

Overall, the outlook for hotel operators throughout metropolitan Atlanta remains strong. The ongoing development of commercial and group meeting demand generators, particularly in the downtown and northwest sectors, and growing international demand should have a stabilizing effect on the area hotel market.

William G. Moeckel
R. Mark Woodworth
Atlanta

From Atlantic City

Development occurred throughout Atlantic City during 1980, the casino gaming industry's second full year of operation here, although more slowly than anticipated. At year-end, six casino-hotels were in operation—Resorts International, Caesar's Boardwalk Regency, Bally's Park Place, The Brighton, Harrah's Marina and the Golden Nugget--representing a total of 3,285 guest rooms and about 284,000 square feet of casino space. The Playboy Casino Hotel opened in April 1981, the Claridge (Del Webb Corporation) in July and the Tropicana (Ramada) is scheduled to open by this fall.

Citywide casino operations realized a total win of more than $1.1 billion between May 1978, when Resorts became the first Atlantic City casino to open, and the end of 1980. Total average win has remained above $1 million per day every month except one since June 1979. With the Golden Nugget and Playboy in full operation, total average win is expected to exceed $2 million per day.

In 1980, the citywide annual average occupancy for the casino-hotels was in excess of 70 percent. Hotels maintained an average room rate of about $78.

Resorts International and Caesar's Boardwalk Regency initially were extremely profitable as demand overwhelmed the limited available casino space. Net operating profit percentages (before fixed charges) of 45 to 50 percent of total revenue were typical. However, two factors have reduced these profit percentages to about 30 percent.

As more casino-hotels opened in 1979 and 1980, demand was diluted, particularly in the off-season. An insufficient number of new rooms were available to attract major conventions during nonpeak months, so busing programs were instituted to fill excess casino capacity. An estimated four million gaming patrons were transported to Atlantic City in 1980 as part of these programs. However, bus programs are not proving as profitable as they initially appeared. Many of these patrons, 60 percent of whom are over 55, gamble little and make the trip solely for something to do or for the incentives offered. These incentives and the increasing competition among properties have resulted in extraordinary bus program expenses at most casino-hotels, which allege they are spending up to $48 million annually. Many are cutting back or eliminating portions of their bus programs, believing reduced expenses will offset any related reduction in casino win.

Another major factor that has had a negative impact on profits is the costs associated with conforming to state gaming regulations. Increased publicity relating to this problem and organized efforts to have the Casino Control Commission reconsider certain regulatory requirements and interpretations have gained the attention of the commission, which may take corrective action following hearings.

These difficulties have had a negative impact on casino-hotel development in Atlantic City. Construction has ceased on several projects due to a lack of funds, and many others have deferred beginning construction until the regulatory environment becomes more realistic and funds more readily available. Many developers whose projects were delayed by external factors have elected to defer development awaiting the outcome of proposed gaming legislation in other areas of the Northeast. A total of 14 casino-hotels should be in operation by early 1985, a significant decrease from the 20 to 25 projected a year ago.

Atlantic City has shown that its casinos can draw substantial patronage and record wins, and that development is progressing steadily if not as rapidly as projected. The population of the primary market has shown a propensity to patronize casino games in excess of any projections prepared prior to passing legislation. It is generally agreed that area operations should continue to experience better operating results and profits than those achieved in comparable Las Vegas casinos.

Knowledgeable observers believe profit percentages should increase to 35 to 40 percent of total revenue as oversubsidized bus program patrons are replaced by conventioneers and as the regulations and their interpretations become more reasonable.

Supply and demand projections indicate there will not be a sufficient number of casino-hotel rooms and casino space to accommodate theoretical demand levels until 1985. However, by 1982, a sufficient number of rooms will be available to attract renewed convention demand.

Peter R. Tyson
Michael French
Philadelphia

From Baltimore

The revitalization of downtown Baltimore, which started in the early 1960s, began to affect the lodging market in 1980.

The $20 million Harborplace retail

pavilions opened in July 1980. Similar to Faneuil Hall in Boston, the Rouse Company project is expected to attract more than 10 million visitors annually. A total of 5.6 million square feet of office space has been constructed in the Charles Center and Inner Harbor areas of the central business district. Another two million square feet of office space is planned for the Inner Harbor by 1985.

The Baltimore Convention Center completed its first year of operation in 1980, surpassing 12-month attendance projections within the first seven months. With 350,000 delegate room nights anticipated by 1983, Baltimore is emerging as a national convention destination.

The activity in the convention and tourist markets generated a 12 point increase in average market occupancy to 68 percent in 1980. Room rates for downtown properties rose 29 percent from 1979, a trend that continued through the first half of 1981.

The three existing downtown hotels underwent major renovations during 1980, including an expansion to the Baltimore Hilton that increased it to 720 rooms. A 500-room Hyatt Regency, overlooking the harbor and adjacent to the convention center, is scheduled to open in fall 1981. Construction of three other hotels, comprising a total of 740 rooms, is expected to begin by early 1982. Another 600 first-class and luxury rooms are projected for the Inner Harbor area by the late 1980s. If current trends continue, these plans will become reality.

Frederick W. Mosser
James C. Fisher
Washington, D.C.

From Boston

The outlook for the Boston lodging market in the 1980s is cautiously optimistic despite uncertain national economic conditions and the dampening effects of Massachusetts' Proposition 2 1/2. During 1980, more than $500 million of new construction and renovation projects were initiated in the city, with more than $1 billion committed for development through 1983. Amid high interest rates and a shortage of long-term financing, Boston is one of the few American cities experiencing significant hotel and office construction activity.

Hotel projects under construction include:

- One Post Office Square, which includes a 315-room luxury hotel to be operated by Meridien Hotels, a subsidiary of Air France, as well as a 40-story office building.
- The 385-room Marriott Long Wharf, located on the waterfront between Lewis Wharf and Rowe's Wharf.
- The 155-room luxury Bostonian Hotel, adjacent to Faneuil Hall Marketplace in Dock Square.
- An 80-room addition to the 262-room Ritz Carlton Hotel and 54 luxury condominium units.
- The 372-room Back Bay Hilton on Dalton Street, adjacent to the Prudential Center, expected to open in 1982.
- Copley Place, which will include a 781-room Westin Hotel, a 1,008-room Marriott Hotel, 700,000 square feet of retail and office space and 100 housing units.
- Lafayette Place, which will include a 505-room Inter-Continental Hotel in Boston's retail district.

These projects will add about 3,600 rooms to Boston's room supply by 1985. An additional 900 rooms in three properties are probable, and 2,000 more are under consideration.

Suburban lodging markets remain strong due to the growth of high technology industries and the expansion of existing office parks. Properties that opened during 1980 include a 150-room Howard Johnson's Motor Lodge in Norwood; a 189-room Hilton Inn in Natick; a 175-room expansion of the Sheraton-Tara in Framingham; a 225-room Sheraton-Tara in Nashua, New Hampshire; the 200-room Sheraton Inn-Mansfield; a 150-room Best Western in Waltham; a 103-room Koala Inn in Woburn; and a 139-room expansion of the Colonial Hilton Inn in Wakefield. Currently under construction are a 200-room expansion of the Sheraton-Tara in Braintree and a 225-room Stouffer's Inn in Bedford.

Overall average occupancy for Massachusetts hotels and motels declined slightly to 74 percent during 1980, a 1.3 percent decrease for eastern properties and a 2.7 percent increase for western properties. Although occupancies stabilized throughout the Commonwealth in 1980, the average room rate increased 21 percent over 1979 to about $50.17. Food and beverage sales increased 12.3 percent and 7.9 percent respectively, while food costs increased 0.6 percent and beverage costs were slightly lower.

Demand generated by commercial travelers should grow steadily throughout the early 1980s. The virtual nonexistence of available first-class office space in Boston's financial district and along Interstate 495 and Route 128 should provide impetus for construction of new space. As of April 1, 1981, the Spaulding & Slye Corporation reported overall vacancy rates of less than 4 percent for first-class office space in Greater Boston.

Hotel properties located in the Back Bay continue to accommodate a significant portion of Boston's convention market demand. An expansion that would double the size of the 150,000-square-foot John B. Hynes Veteran's Auditorium, under consideration as reported last year, is needed more than ever in view of major hotel and commercial construction projects.

Other projects important to the area's commercial, convention and tourist markets are the proposed sports complex near North Station that would replace Boston Garden; the renovation of the theater district; and the recent completion of the John F. Kennedy Memorial Library at Columbia Point in Dorchester.

Properties throughout New England experienced slightly higher occupancies during 1980, with the strongest increases reported by facilities in southern New Hampshire and central and western Connecticut. Resort communities of western Massachusetts, Cape Cod, Vermont, New Hampshire and Maine fared much better during summer 1980 due to the increased availability of gasoline. With no anticipated shortages, 1981 should again prove to be a good summer for these areas.

Occupancies in Greater Boston will probably decrease through 1985 due to significant additions to supply. However, these well-planned addi-

tions should vastly enhance and upgrade the Boston area lodging market, better preparing it to meet the needs and take advantage of the opportunities of the 1980s.

Peter D. Keim
Karen D. Mastrobattista
Boston

From Charlotte

The lodging market in Charlotte, North Carolina continues to prosper and is one of the stronger markets in the Southeast. There was a net decline in room night demand of about one point during 1980 compared with 1979, a factor that compares favorably with other Southeastern cities, which had more severe declines. Average room rates increased about 16 percent throughout the city.

The consistently strong level of demand, particularly by business travelers, has led to several new development proposals and expansion or upgrading of existing facilities. Marriott, Hilton and Omni are among the companies that have been considering development in the Charlotte area. The Sheraton Center Hotel has constructed additional meeting rooms and food and beverage facilities. The Holiday Inn-Woodlawn has added 100 guest rooms, as well as additional meeting space.

Of the many factors that could influence the future growth of hotel demand in the Charlotte area, the proposed lodging tax looms as the most important. The North Carolina General Assembly was due to act on the bill during summer 1981. If passed, the bill will be enacted into law in 1982 and the resultant increase in tourism and convention promotion should begin soon after. If the bill is not passed in 1981, it will not be brought up again for consideration until 1983.

Generally, the future is bright for the Charlotte lodging market. The efforts of the Charlotte Mecklenburg Convention and Visitors Bureau to attract new group meeting and convention demand and promote tourism throughout eastern North Carolina should expedite Charlotte's evolution into a multimarket community. The ongoing commercial and industrial growth and development throughout the city, along with the expansion currently underway at the Charlotte airport, presents a favorable outlook for area hotel operators.

William J. Spears
Charlotte

R. Mark Woodworth
Atlanta

From Charleston

The Charleston, South Carolina lodging market comprises two geographical sectors. North Charleston, which caters primarily to commercial travelers and the overflow of tourist demand, and downtown Charleston, which primarily serves tourist and group meeting demand. During 1980, the aggregate occupancy for these areas was about 60 to 70 percent, with average room rates ranging from $28 to $54.

During the past five years, Charleston's restored homes and historic landmarks have increased in popularity as major tourist attractions. Special events, such as the Miss U.S.A. Pageant and the Spoleto Arts Festival, have provided Charleston with both national and international exposure. Although the tourist season appears to be expanding each year, peak periods of demand typically occur from mid-March through August. In 1980, the number of visitors to Charleston declined due to the recession and recent gasoline shortages.

While growth in tourist-related lodging demand primarily has affected downtown Charleston, most of the city's commercial development has taken place in the northern counties of Dorchester and Berkeley, historically ranked as the top two counties in South Carolina with respect to residential and commercial development. Consequently, the lodging facilities in these areas have attracted most of the commercial demand within the metropolitan sector.

Revitalization efforts are underway in downtown Charleston. However, limitations imposed by historic districts, the lack of available land and the cost of renovations have deterred significant progress. The city currently is planning to build a new Visitors Center to better manage the high volume of tourists that visit Charleston annually. Interest has been expressed in developing a minimum of 150,000 square feet of office space and a 450-room hotel adjacent to this complex. Redevelopment of retail areas along King Street also has been proposed.

New and proposed hotel developments include the 450-room Sheraton-Charleston Hotel, which opened in July 1980; a 470-room Trust Houses Forte Hotel scheduled to begin construction in downtown Charleston in summer 1981; and a Marriott Hotel proposed for the North Charleston area. Although the Sheraton-Charleston has been slow to attract business, its facilities and the extensive function space proposed for the Trust Houses Forte property should create a significant increase in group meeting demand.

The relative strength of the individual segments of lodging demand, along with proposed hotel and commercial developments, should produce continued stability in the Charleston lodging market. Continued growth in the population of the Sunbelt region should provide a basis for increased tourism to Charleston and support for proposed commercial developments. Based on these factors, the Charleston lodging market should experience moderate levels of growth during the next five years.

William G. Moeckel
John J. Tillapaugh
Atlanta

From Chicago

Although 1980 was not a great year for Chicago area hotels, the strength of current hotel development and other commercial activity reaffirms the lodging industry's vital role in Chicago's economy.

In 1980, hotel occupancies remained stable in the central business district compared with 1979, but decreased three points in the suburbs. The suburban market is composed largely of commercial business travelers, while hotels in the central business district primarily attract convention and group business, which typically experiences less fallout from business cycles. Market utilizations for

1980 were in the mid-60 percent range downtown and 70 percent in the suburbs.

First-quarter results for 1981 were not very encouraging, as the recession continued to hamper the market. Moreover, Federal budget cuts suggest that economic belt tightening may continue.

Fewer conventions are anticipated in Chicago in 1981 because some of the larger groups convene only every other or every fourth year, and even-numbered years are the most popular for larger meetings.

Despite sputtering occupancies, the average room rate in both the central business district and the suburbs increased more than 17 percent in 1980, to $57 and $42 respectively. Room rate hikes are expected to continue in the near future as hotel managers contront rising operating costs.

Long-term utilization forecasts appear bright as both areas continue to experience a tremendous influx of new development. In 1980, six office buildings with a total of about four million square feet of space were completed in the central business district. Another 12.3 million square feet are committed for construction by the end of 1985. Of the 4.3 million square feet of office space that became available in the suburbs in 1980, 2.5 million were absorbed. Another 1.9 million should become available in 1981.

Hotel development has continued in the central business district and the suburbs in anticipation of higher future demand. The proposed flagship Chicago Hilton will be one of the larger convention-oriented hotels in Chicago and will anchor the North Loop redevelopment project. The plans for this major revitalization effort include new commercial and residential space, as well as renovation of some existing buildings. Several other hotel properties are being considered for the downtown area to accommodate corporate groups and first-class meeting business.

Chicago has continued to enhance its reputation in the industry by providing smaller luxury or "carriage trade" hotels, such as the Whitehall and the Tremont. New properties include the 255-room Park Hyatt, the 217-room Maxtar Regent and the 256-room Knickerbocker. Even the large group-oriented hotels are attempting to capitalize on this market by providing "club floors" with the atmosphere of small luxury hotels. The result of the recent addition of luxury rooms to the market is that newer properties are finding it difficult to establish a patron base, and therefore occupancies have been lower than projected.

Development has been strong in the suburban areas along the east-west corridor from Oak Brook to Naperville, and the northwest suburb of Schaumburg. During first quarter 1981, two hotels opened in Naperville: the 160-room Hilton Inn and the 300-room Sheraton Inn. Several other hotel chains are contemplating development in this corridor. There are several new first-class hotels in Schaumburg, including the 484-room Hyatt Regency Woodfield, which opened in June 1981, and the 420-room Hamilton Hotel operated by Stouffer Hotels, which opened in May 1981. Construction is expected to begin soon on a 401-room Marriott hotel. Other additions in Schaumburg include the 173-room Midway Motor Lodge and a proposed 126-room La Quinta Motor Inn. A 202-room Howard Johnson's Motor Lodge recently opened in nearby Arlington Heights.

The future of the Chicago area lodging market depends on economic revitalization, loosening of credit and a subsequent increase in business and consumer spending. However, current and projected development should enable Chicago to remain a national and regional focal point of first-class lodging facilities.

Douglas W. Miller
Brent D. Ballard
Chicago

From Cleveland

Final statistics show that 1980 was not the best year for the Ohio lodging industry. Total sales for hotels in the state increased barely 5.5 percent, while statewide occupancy decreased. Corporate and convention activity declined about 10 percent, attributable largely to the state's reliance on the depressed automobile industry.

Airport traffic decreased substantially in 1980, causing a 16.5 percent decline in occupancy at airport properties compared with 1979, while total sales increased about 3 percent.

Results were better at center city properties, where a 16 percent average increase in room rates and a 5.4 percent decrease in occupancy led to increased total sales of 7.6 percent.

Cleveland properties suffered a 9.4 percent decrease in occupancy, but compensated with room rate increases of 17 percent, increasing total sales by 7 percent. This performance was better than properties in other parts of Ohio, which experienced a 6.4 percent decrease in occupancy and an 11.8 percent increase in room rates, causing total sales to increase 5 percent in 1980.

Despite subdued economic conditions throughout Ohio's major cities, the outlook for office, industrial and lodging development is promising. Mixed-use office and industrial developments are planned throughout the state and supported jointly by government and business.

Major additions to the state's room supply in 1980 include the recently completed 500-room Westin Hotel in downtown Cincinnati and Hyatt Corporation's 660-room hotel adjacent to the new Ohio center convention facility in Columbus. Several new hotels are under construction or planned for Columbus, suburban Cincinnati and Cleveland. Sohio Corporation has acquired 60 percent of the property needed to develop its proposed $100 million world headquarters on Cleveland's Public Square. This complex would include about 1.5 million square feet of office space with consideration for the development of retail and lodging space.

Although Ohio's lodging industry was affected adversely by economic conditions in 1980, operators and developers are cautiously optimistic as they proceed with plans for future growth.

William R. Steuck
Steven F. Zamborsky
Cleveland

From Dallas

Occupancy in the Dallas area lodging market declined four points in 1980 to 69 percent. Among the key factors in this decline were:

- An 11 percent increase in the supply of hotel rooms
- A 4 percent decrease in airline passenger traffic at Dallas Fort Worth Airport
- The national recession
- An unusual summer heat wave

While occupancy decreased, area lodging market demand experienced real growth in 1980. The total number of occupied rooms increased 3 to 4 percent.

The citywide average room rate rose to $41 in 1980 from $35 in 1979, an increase of 17 percent. Average room rates have increased 15 to 20 percent each year since 1978, when the Hyatt Regency opened. The addition of that and other major hotels, including the Loews Anatole Dallas in 1979 and the Plaza of the Americas (Trust Houses Forte) in 1980, has set the pace for these increases, which also reflect the general impact of inflation and increased costs on the industry.

The hotel construction boom has continued in Dallas. Eight projects comprising more than 2,800 rooms opened in 1980, and another 14 projects with about 2,800 rooms are scheduled to open during 1981. In addition, some 25 other hotel projects containing more than 10,000 rooms are under construction or in advanced planning stages, with openings scheduled for 1982 through 1984. The majority of these will offer more extensive facilities and services, higher quality, and higher rates than have been typical in the area market. The higher prices are necessitated in part by increased land and construction costs.

Other trends in the market include the growing presence of international hotel chains, new Texas-based chains and numerous all-suite hotels. The hottest growth areas are expected to be north Dallas, Las Colinas, Dallas Fort Worth Airport, Arlington, the Stemmons corridor, and the central business district.

Results for the first quarter of 1981 show a continuation of 1980 trends. Average occupancies have declined slightly, but the number of occupied rooms has increased. Weekday demand has remained strong, while overall weekend occupancy is low. Average room rates continue to show significant increases in 1981, with a first quarter average of about $48.

Dallas is a strong, vibrant lodging market, and major growth is anticipated in demand as well as supply. However, due to the projected increases in room supply, the market will become increasingly competitive in the next three to five years. There is a strong possibility that several of the city's sectors will be overbuilt in the period from 1982 to 1984.

Gregory Crown
Gigi Jones
Dallas

From Denver

The Denver lodging industry continued to grow in 1980 despite the national economic downturn, although at a slower rate. Denver's diverse economy was able to support new developments in all sectors of the city. The most notable growth continues to be along the southeast corridor and in the central business district.

During 1980, activity in the I-25 corridor in southeast Denver included completion of two hotels with more than 625 total rooms, construction of 625 rooms expected to open in 1981, and plans for an additional 900 rooms before 1985. A portion of the latter would be additions to hotels currently under construction.

Office parks in the southeast continued to grow in 1980 in terms of both rentable square feet and square feet occupied. In December 1979, about 3.5 million square feet of office space was available; 3.2 million occupied and 1.4 million under construction. At the same point in 1980, the area had 4.5 million rentable square feet, four million occupied and 2.4 million under construction.

The central business district also experienced substantial growth in 1980. Only two blocks of the Denver Urban Renewal Authority's Skyline Project remain undeveloped. Plans for their development as a mixed-use project include a 425-room hotel, probably to be affiliated with Westin Hotels, one million square feet of office space, and 100,000 square feet of retail space. The 625-room Marriott-City Center is nearing completion, and construction has begun on a 300-room, suite-concept hotel to be operated by Brock Hotels. Conversion of a major street in the retail corridor to a pedestrian shopping mall continued in 1980. Construction on office towers boomed, with a 16.3 percent increase in available office space compared with 1979. Further, the vacancy rate for office space downtown remained at a low 2.4 percent.

Occupancy at first-class hotels was relatively stable despite the flood of new first-class rooms during 1980. To date, no sector of the city has been overbuilt, and forecasts indicate that the demand will continue to be absorbed by the available and planned supply.

Room rates throughout the city continue to rise as first-class hotels open, near completion or even are announced. Denver's lodging industry, which historically has lower rates than its demand would suggest, is attempting to align itself with major West Coast and Midwestern cities. Activities that have helped increase rates include the opening of the Fairmount, planned renovation of the Brown Palace, construction of the Marriott-City Center, announcement of the Westin Hotel, and tentative plans for a Hyatt Hotel.

As market areas have expanded and primary sites have been used, secondary locations are being viewed as viable locations. In the central business district, physical constraints have forced development to the perimeters of the financial and office districts. Development continues in the areas around Stapleton International Airport, where available land is at a premium. In southeast Denver, residential and commercial development is spreading southward toward Colorado Springs.

The continued and projected growth in Denver should continue to create viable new sites for development throughout the 1980s.

Gary S. Schettl
Stephen A. Wessler
Denver

From Detroit

The Detroit area lodging market showed surprising strength in 1980, although it was the worst year since 1975. Operating data for the area was similar to that for the U.S. lodging industry overall. As a result of the recession, occupancies in Greater Detroit dropped more than five points in 1980 from an areawide occupancy of nearly 72 percent in 1979. This compares with a national occupancy of 67.5 percent in 1980, three points below the previous year. An increase in the average room rate of more than 15 percent partially offset the decrease in occupancies in Detroit, a trend that is similar to what the country experienced as a whole.

The recession hit downtown properties hardest. Suburban properties suffered less, with demand remaining fairly constant in several sub-markets. Two suburban lodging facilities currently are under construction: a 250-room Holiday Inn off the I-275 expressway in Livonia, and a 225-room Sheraton near the intersection of I-96 and I-275 in Novi.

According to economic indicators for the first quarter of 1981, the Detroit area is breaking out of the recession and the economy is showing signs of improving. This has not yet been reflected in area occupancies, which traditionally lag behind the general economy in showing improvement. At the same time, there are signs of resistance to room rate increases, and rates are rising at a slower pace than during the previous year. Thus, operators are being squeezed doubly at the bottom line.

On a more positive note, the State of Michigan allocated an additional $1.8 million to the existing $3.4 million tourism budget. Tourism is the state's second largest industry, and lodging facilities should benefit from this increase in the budget.

New lodging developments are under construction in many of Michigan's major lodging markets. However, high mortgage rates and the limited availability of funds have limited development.

For the coming year, we see the beginning of a turnaround from recent declines in demand. The beneficial effect on existing properties will be limited somewhat by the opening of new first-class hotels, including the 700-room Grand Plaza in Grand Rapids and the 400-room Hyatt Regency in Flint. Overall, occupancies should remain constant or increase slightly.

John Leary
Edward Shaw
Detroit

From Houston

The Houston lodging market continued to grow in 1980 despite the nationwide recession and increasing interest rates. Citywide occupancy was 70.6 percent, a decrease from 73.2 percent in 1979 but higher than the national average of 67.5 percent. The growth of the lodging market is reflected in the growth of the room supply and increases in the average room rate.

Although hotel development slowed during the second quarter of 1980 because of climbing interest rates, it rebounded in the third quarter. A by-product of fluctuating interest rates was an increase in the number of proposals for renovating older hotels into first-class or luxury properties.

Nine hotels with a total of nearly 2,750 guest rooms entered the market in 1980, increasing the room supply about 14 percent over 1979. In addition, more than 700 rooms were added during the first quarter of 1981 and another 2,779 are under construction in the following projects:

- The 239-room Granada Royale on the Southwest Freeway.
- The 315-room Doubletree Inn near the intersection of Kennedy Boulevard and the North Belt in north Houston.
- The 122-room La Quinta North, located near the FM 1960 and Interstate 45 interchange.
- The 288-suite Houston Place, which is the first addition to the Medical Center lodging supply since 1973.
- The 158-room Manor House in west Houston near Interstate 10 and Highway 6, which is the second property of a new budget hotel chain.
- The 349-suite Guest Quarters II, 539-room Inter-Continental Hotel and 450-room Warwick Post Oak, all in the Galleria area.
- The 442-room Four Seasons, downtown in Houston Center, which also will contain more than 100 executive apartments.

Many other hotel projects are in the planning stages.

The strength of Houston's hotel market is reflected in the variety, scope, market orientation and location of these projects. Development is underway in almost all sectors of the city.

Hotels that opened in 1980 contributed to the 15.2 percent increase in the average room rate to $41.80 from $35.86 in 1979. The citywide average rate continued to grow during the first two months of 1981, increasing 14.6 percent over the same period in 1980 to $38.13. Rooms revenue increased 11.8 percent in 1980 and continued to grow in 1981.

Commercial development is burgeoning in Houston's North Belt area, the Katy Freeway corridor, the West Loop area and the central business district. The development of first-class commercial space is directly related to the increase in first-class and luxury hotels in these areas. Interest in the east sector has been spurred by the growth of Hobby Airport traffic and the Houston Ship Channel. At the end of 1980, office space in the central business district totaled about 23.4 million square feet. A site in the eastern part of the business district, recommended in a study made by Laventhol & Horwath for the city of Houston, has been chosen for the new Convention Center. Several major hotel chains have proposed projects related to the development of the center.

The dynamic Houston economy is expected to support continued lodging development and growth in market demand during the next several years.

Peter A. Griffith
Randall T. Hodde
Houston

From Indianapolis

The lodging industry in Indianapolis suffered a second year of declining occupancies in 1980. Located at a major Midwestern highway hub and

heavily involved in the automobile industry, the city experienced lower occupancies as a result of declines in traffic and industrial output. The average annual occupancy decreased five points from the 1979 average, which was down four points from 1978. However, the average rate increased about 14 percent in 1980.

Despite these discouraging statistics, new development has occurred in the northern and eastern metropolitan areas. Days Inn opened a 130-room property and La Quinta is about to open a 122-room facility on the east side. Construction has begun on a 150-room addition to the Holiday Inn-North. The 95-room Signature Inn, an upgraded budget facility, has opened on the north side.

Planning continues for an expansion of the Indianapolis Convention Center that will add 125,000 square feet of meeting space. A total of $30 million has been contributed toward construction of a new 63,000-seat domed stadium to be located downtown.

Douglas Hayward
David Voigt
Chicago

From Kansas City

Leading Kansas City area hotels experienced a moderate decline in occupancy to 68 percent in 1980 from an average 72 percent in 1979. The decline reflects additions to room supply, including the 750-room Hyatt Regency that opened at Crown Center in summer 1980. Total occupied rooms increased about 4 percent. Rate increases between 1979 and 1980 ranged from 2 to 18 percent, averaging about 6 percent for leading properties. The moderate increases are consistent with softening market conditions.

Continued moderate occupancy levels are anticipated for 1981 as new rooms are absorbed into the market and as the levels of commercial, convention and tourist travel remain depressed by current economic conditions. Moderate real increases in total demand and average rate are expected along with the short-term declining occupancies associated with supply increases.

The only anticipated major addition to the area room supply is the 350-room Doubletree Inn, under construction at Corporate Woods in the southwestern metropolitan area, scheduled to open in 1982. Numerous other projects have been proposed for the downtown and southwest suburban areas.

The continued successful growth of the Kansas City lodging market in the 1980s depends largely on careful planning and timing as additional properties are conceived in response to changing market needs.

Jeffrey K. Marvel
John R. Weeman Jr.
Kansas City

From Knoxville

The estimated 74 percent occupancy level achieved by Knoxville area hotels during 1980 was four points above the estimated 1979 level. This increase is attributable to the steady levels of real growth in the Knoxville area economy, increased regional tourism and the escalating preparation for the 1982 World's Fair, to be held in Knoxville. These factors, along with the planned construction of a new convention center adjacent to the site of the fair, have led to the development of three new hotels in the downtown area.

Currently under construction are a 300-room Hilton, a 200-room Quality Inn and a 299-room Holiday Inn. The Holiday Inn, which will replace the Gated 142-room Holiday Inn-Downtown in August 1981, will be attached to the convention center. These new properties, along with the existing Hyatt Regency, should stimulate the growth of group meeting demand in Knoxville during the years ahead.

The residual impact of the World's Fair should be substantial. The fair, the theme of which is "Energy Turns the World," is expected to attract 11 million visitors during its six months' duration. The economic stimulus and national exposure gained from this event presents a positive outlook for area hotel operations.

William G. Moeckel
R. Mark Woodworth
Atlanta

From Las Vegas

Growth occurred in almost all sectors of the Las Vegas hospitality industry in 1980, and local officials predict continued growth well into the decade. The hotel/motel room supply reached 47,883 rooms in 1980, more than 60 percent of which were hotel rooms. This 3.5 percent increase continued the historical growth trend. During the past 10 years, an average of 1,900 rooms were added to the inventory annually. Continued growth is anticipated through 1985, with plans for about 20,000 additional hotel and motel rooms. At the end of 1980, 3,070 rooms were under construction, with completion dates set for 1981 or early 1982.

Two major casino-hotels opened in downtown Las Vegas in the Fremont Street submarket in 1980. Plans have been announced for major additions to downtown properties that would increase the area's supply of first-class rooms by almost 50 percent in the next few years.

Visitor volume and convention demand increased along with room supply in 1980. Almost 12 million visitors came to Las Vegas during the year, an increase of 2 percent from 1979. More than 400 conventions and 650,000 delegates were accommodated in area hotels and motels. Convention volume is expected to increase more than 50 percent in the next four years. The Las Vegas Convention Visitors Authority announced plans to expand the convention center to more than one million square feet of exhibit and meeting space. Plans for a downtown convention and sports center also were announced. The complex, scheduled to be completed by 1984, would accommodate mid-size conventions of 3,000 to 6,000 delegates.

Although growth was evident in most segments of the lodging industry, the areawide occupancy of 77.2 percent was the lowest since 1975. Hotel occupancy declined four points in 1980 to 82.8 percent, while motel occupancy, at 68.3 percent, was the lowest since 1970 (65 percent). Numerous factors contributed to this decline, including the national recession and higher transportation costs.

The first stage of a 20-year expansion plan for McCarran International Airport began late in the year. Passenger volume at McCarran is expected to reach 30 million by the year 2000, triple the 1980 volume. The first stage, which should be complete by 1985, includes enlarged terminal buildings, a people-mover transit system and additional airline gates.

Efforts have been made in recent years to diversity southern Nevada's industrial base. The Nevada Development Authority indicates that the state's geographical location and tax advantages have generated an increase in nonhospitality industries in Nevada. The Las Vegas area has grown rapidly as a distribution and warehouse center. The increase in nonhospitality industries should result in growth of the commercial market lodging segment, a demand area traditionally low in Las Vegas.

Local hotel officials have undertaken intense marketing programs both in the United States and abroad. Some hotels that have never needed marketing personnel in the past are developing departments. More special events are being planned for 1981 and the future by all segments of the hospitality industry.

Richard G. Hyte
Las Vegas

From Los Angeles

Despite the economic recession, the greater Los Angeles lodging market experienced no decline in demand levels during 1980. The 1980 area-wide average occupancy of 80 percent was the same as in 1979. Significant increases in room sales were supported by the healthy 20 percent increase in the average daily room rate to $52.

The diversity of the local economy contributes to the strength of the Los Angeles area lodging market. The aerospace, computer technology and entertainment industries, the growth of financial institutions and the influx of foreign investment are all important contributors to the continuing growth of the local economy. As evidence of this growth, more than seven million square feet of office space is expected to be completed in the greater Los Angeles area during 1981-1982. Major office development is occurring in the downtown, Century City, Los Angeles Airport and Western San Fernando Valley areas. Further south, in Orange County, the Newport Beach/Costa Mesa/Irving area is emerging as the second largest concentration of office space in Southern California.

According to the Los Angeles Convention and Visitors Bureau, 1980 convention attendance in the county was up 10 percent from 1979 to 973,500 attendees. Future additions to the Los Angeles and Anaheim convention centers, approved during 1980, will have a positive impact on the industry. The number of international tourists to the area was reported to be up, as evidenced by a 19 percent increase in international arrivals and departures at Los Angeles International Airport to almost six million.

Significant additions to the Greater Los Angeles area room supply in 1980-1981 include:

- The 750-room Marriott in Anaheim.
- A 180-room addition to the Holiday Inn in Glendale.
- A 120-room addition to the Glendale Howard Johnson's Motor Lodge.
- The 810-room Sheraton Plaza La Reina at Los Angeles International Airport.
- A 240-room Granada Royale Hometel in West Covina.
- A 280-room Sheraton Hotel in the City of Industry.
- A 300-room Holiday Inn in Long Beach and a 250-room Holiday Inn in Burbank.

Major hotel projects announced during 1980-1981 include:

- Two Hyatt Regency Hotels, one with 542 rooms in downtown Long Beach and another with 440 rooms in Irvine.
- Two luxury Four Seasons Hotels, a 400-room property in downtown Los Angeles and a 350-room hotel in Beverly Hills.
- Two 500-room hotels by Sheraton Corporation, one at Universal Studios adjoining their existing hotel and one in downtown Los Angeles.

Reports from area hotel operators for the first four months of 1981 were mixed. Occupancies were down in the airport area due to a decline in commercial travel.

For 1981, we predict a one point decline in overall area occupancy, with a 12 to 14 percent increase in the average room rate.

Thomas M. Goff
Los Angeles

From Milwaukee

During 1980, the Milwaukee lodging market exhibited continued growth with the opening of the 492-room Hyatt Regency-Milwaukee adjacent to MECCA, the downtown convention and sports center. Other major downtown developments include the construction of a $70 million pedestrian and shopping mall, which is scheduled for completion in mid-1982. With these developments and the recent refurbishment of many downtown hotels, Milwaukee is becoming established as a viable convention city.

The dynamic west suburban market continues to exhibit stability, with an average annual occupancy of 80 percent. The growing commercial base in this area will be enchanced by the development of two new lodging facilities: a 140-room Midway Motor Lodge to be built in conjunction with Midway's new corporate headquarters in Brookfield, and a 425-room Radisson Hotel to be located on Mayfair Road in Wauwatosa. The Midway is expected to open in November 1981 and the Radisson, scheduled to begin construction in late 1981, should open in early 1983.

Further diversification of the convention and commercial bases, both downtown and in the suburbs, should continue to support the lodging industry in this key Midwestern city.

Richard Conti
Brian A. Py
Chicago

From Minneapolis-St. Paul

The overall Twin Cities market occupancy declined about six points to 66 percent in 1980. This was primarily the result of a 1,200-room increase in area room supply, as well as recessionary declines in air passenger traffic and convention activity. There was also evidence of dramatic

geographic shifts in lodging demand resulting from the addition of new facilities.

Hotel openings in 1980 included a Hilton Inn, a Granada Royale Hometel, the Radisson Plaza and three budget hotels. In 1981, new construction will add almost 1,700 rooms to the market, including the 540-room Hyatt Regency in downtown Minneapolis. An additional 1,000 rooms will be added by 1984. The largest property will be the 600-room Amtac hotel, which will be located in the downtown Minneapolis City Center project. At least 16 other projects have been announced or are in various stages of planning.

There is renewed interest in developing several major lodging properties in the downtown areas resulting from recent expansion booms in office and retail space and declining competitiveness of both areas in the convention market. Between 1980 and 1982, the supply of office space in downtown Minneapolis will increase about 4.9 million square feet, and in St. Paul about one million square feet.

Total sales in Twin Cities lodging properties increased about 7 percent in 1980, resulting from a 9 percent increase in room sales and a 5 percent increase in food and beverage sales. Average room rates rose more than 13 percent for the year, although results for the first quarter of 1981 indicate some market resistance to further increases. Restaurant and banquet patronage declined at most lodging properties for the third consecutive year, due to a dilution of the market caused by new hotels and freestanding restaurants and changes in the public's spending habits. Market occupancies are expected to decline further in 1981 as a result of the continued recession and slow absorption of new rooms.

Recessionary cutbacks in commercial travel were more severe in the rest of Minnesota than in metropolitan areas, resulting in a very poor year overall. However, many resort operators reported that summer tourist traffic was strong due to the growing trend of taking shorter vacations closer to home. Other notable trends were the increased popularity of camping vacations, including the development of condo campsites, and the renewed popularity of modified American plan rate packages. Increased attention to the perceived price-value relationship has been noted in the immediate market acceptance of the Granada Royale suite concept in Bloomington and the increased demand for chain affiliated budget lodging properties statewide.

Terrance Richards
Michael P. Branigan
Minneapolis

From Mobile

The Mobile lodging market continues to prosper as the city remains one of the major economic and financial centers on the Gulf Coast. Mobile achieved an estimated 1980 citywide occupancy of 75 percent, about 10 percent below the previous year. The influx of the Army Corps of Engineers and other repair construction and insurance personnel following Hurricane Frederick in fall 1979 resulted in an aberrantly high level of occupancy for 1979. The absence of these personnel during 1980 caused a return to more normal, yet strong, levels of room demand.

Mobile's growth is largely attributable to its function as a major, growing seaport. The increased port activity and development of the Theodore Industrial Complex have generated interest in new hotel development, primarily in the suburban area near the intersection of Interstate 65 and Airport Boulevard. In May 1979, La Quinta opened a 122-room property that was immediately successful. The 300-room Mobile Hilton opened in fall 1979 and became the major convention/group meeting hotel in the city. Family Inns currently is constructing an 80-room property and various other companies have expressed interest in developing new properties or expanding existing facilities.

Growth in the Mobile area lodging industry is expected to continue in the foreseeable future. Commercial and retail development outside the central business district and the completion of Interstate 65, connecting Mobile with Montgomery and points north, will further stimulate lodging demand in suburban areas. In addition, the increased port activity is expected to renew interest in hotel construction in downtown Mobile.

William G. Moreckel
William P. Stadler
Atlanta

From Nashville

Nashville has gained notoriety from such major tourist attractions as Opryland, the Grand Ole Opry and the Country Music Hall of Fame. However, unlike many tourist-oriented destination cities, the Nashville lodging market avoids severe seasonal trends with a stable segment of commercial demand and a growing convention/group meeting market. During 1980, this demand decreased an estimated 3 percent, resulting in an area occupancy of 68 to 70 percent, while average room rates increased 15 to 18 percent. The decrease in demand has been attributed primarily to the rising cost of travel and the national economic recession.

Area room supply increased only slightly during 1980. However, a 400-room Holiday Inn opened in spring 1981, and a 400-room Marriott Hotel, currently under construction, is scheduled to open in early 1982. Both of these new facilities are located at the Briley Road interchange of Interstate 40 near Opryland, Nashville Airport and the 613-room Opryland Hotel, which has continued to be the most successful hotel in Nashville. With occupancy reportedly in the upper 80 percent range, the owners of this major convention hotel are planning the addition of about 400 guest rooms and 100,000 square feet of function space.

A substantial number of rooms were added to the market in downtown Nashville during 1979, and their absorption has been slower than anticipated. In an attempt to augment these facilities and increase Nashville's potential in the convention/group meeting market, the city has proposed the construction of a convention center and an adjacent hotel. In light of the slower growth of other segments of lodging demand in the downtown area in recent years, the increase in group meeting demand appears essential to ensure the long-term success of these properties. The

convention center development would also enhance a deteriorating pocket of downtown Nashville and stimulate revitalization throughout other downtown areas.

Future growth in the overall demand in the Nashville lodging market depends largely on the availability of meeting facilities and related accommodations. While moderate levels of growth are projected in the tourist and commercial demand segments, group meeting demand should have a greater impact during the next five to ten years. Although visitation of major attractions decreased during 1980, this should change as the economy improves and travelers adjust to increases in travel expenses. The increasing popularity of the Sunbelt region and Nashville's diverse economy suggest future growth in the commercial demand segment. Based on these factors and continued growth in other areas of Nashville's economy, the lodging market should experience moderate levels of growth in overall demand.

William G. Moeckel
John I. Illapsaugh
Atlanta

From New Orleans

The occupancy rate in the New Orleans lodging market at year-end 1980 was nearly 74 percent, slightly ahead of the 1979 level. Occupancy approached 78 percent in the first quarter of 1981, also slightly ahead of the same period in 1980. This moderate growth is expected to continue into the future. The average room rate in the market is nearing $60, with considerably higher room rates achieved by properties in the French Quarter and central business district.

Convention activity continues to fuel area lodging demand. More than 650,000 convention delegates visited the city in 1980. The new convention center, proposed for a riverfront site south of the New Orleans Hilton, should have a dramatic impact on this segment of lodging demand. The new facility, which will contain a 150,000-square-foot exhibit hall, is scheduled for completion in 1985.

One of the most significant factors affecting future lodging demand is the Louisiana World Exposition scheduled for May through November 1984. An estimated 10 million to 12 million visitors will attend this event. Although nearly two-thirds of these probably will come from within a 150-mile radius of the city, the exposition is expected to attract international visitors as well.

The Port of New Orleans, second largest in the nation, will become increasingly important to the area economy as the Louisiana Offshore Oil Port (LOOP) becomes a reality. The LOOP is designed to accommodate very large crude oil tankers, and will be the nation's first superport facility. Phase I of this project is nearly complete. Industrial development along the west bank of the Mississippi River, generated by LOOP activity, should stimulate hotel development in the area.

The central business district continues to be the focal point of office development activity, with more than three million square feet of space under construction and another 1.5 million proposed through 1985. Most of this development is along the Poydras Street corridor. Another 800,000 square feet are either under construction in or proposed for suburban areas.

No major hotel development occurred in the area during 1980. Current development interest is strongest in the central business district. The 1,200-room Sheraton New Orleans Hotel, scheduled to open in 1981, is under construction across Canal Street from the Marriott. A 500-room hotel proposed as part of the Canal Place Development is projected to open in April or May 1984. The 1,134-room New Orleans Hilton is planning a 450-room expansion, expected to be completed in 1985. Three other major hotels proposed for the central business district, including projects by Inter-Continental Hotels and Holiday Inns, would add nearly 1,800 more rooms to the market.

Other lodging sectors in the New Orleans market are sustaining healthy occupancy levels but are not, in general, attracting new hotel development.

Steady growth in demand for lodging accommodations in the market as a whole should continue. Convention activity and tourism will continue to dominate, particularly in light of the upcoming exposition and development of a new convention center. Increased demand concentrated in the sectors described here should be absorbed readily by new projects entering the marketplace.

Diane Parmerlee
Houston

From New York

Between 1962 and 1980, only 1,500 new hotel rooms were added to Manhattan's supply. The number of new rooms added in the past two years, however, totaled 5,800. Many of these are in types of properties new to the city: a budget-oriented center city inn (the Milford Plaza); a dramatic convention hotel (the Grand Hyatt); a highly publicized, large-scale luxury hotel (the Helmsley Palace); and the first major hotel in lower Manhattan (the Vista International). Other new hotels include the Harley and the Parker Meridien.

Several factors account for this sudden development boom, including the city's improved fiscal condition; the large increase in foreign travel due to deregulation of the airlines and lower value of the dollar; the success of the "I Love New York" campaign; continued growth of convention activity in New York; and a strong period for the regional and national economies. Growth in demand coupled with the limited room supply forced occupancies and rates upward. Citywide occupancy in 1979 was 82.5 percent, the highest since 1950. A new attitude among domestic and international real estate developers, investors and institutions toward hotels as an "inflation-proof" investment (rates can be raised and a large portion of the assets have short depreciable lives and are subject to investment tax credit) generated tremendous interest in new hotels in major gateway cities, particularly New York.

However, problems have arisen in the early 1980s. Citywide occupancy

tor 1981 is projected to average 76 to 77 percent, a decline of nearly seven points from 1979. Several factors have reduced demand simultaneously with the 20 percent increase in room supply. The recent strengthening of the dollar has affected foreign travel. Annual rate increases of 15 to 19 percent during a three-year period have reduced average length of stay in both commercial and convention market segments.

Several hotels have reacted by lowering their rates. After a 17 percent rate increase in 1980, this year's increase is expected to be only 12 percent. Plans for additions to existing hotels have been delayed, as have several new projects. Other reactions include staff reductions, greater emphasis on controls, point-of-sale and computerization, and more conservative renovation plans.

The outlook through 1983 is for continued moderate rate increases with some further reduction in city-wide occupancy. However, the combined rate and occupancy will still result in increased sales. By 1984, occupancy should stabilize or increase slightly after the new rooms are absorbed into the market and the New York Convention Center has opened.

Bjorn Hanson
New York

From Orlando

The Greater Orlando area is booming. New developments are announced almost daily and construction of the major projects that spawned this growth are proceeding on schedule.

The primary catalyst is Walt Disney World's Experimental Prototype Community of Tomorrow (EPCOT) Center, the largest privately-financed construction project in the world (more than $800 million), scheduled to open in October 1982. Disney officials project that 14,000 to 20,000 new hotel rooms will be needed to accommodate anticipated demand.

Other developments contributing to the overall strength of the lodging market are:

- The Orange County Convention/Civic Center, a 325,000-square-foot multipurpose center located midway between Orlando and Walt Disney World, scheduled to open in fall 1982.
- Phase I of the Orlando International Jetport expansion, a new $450 million terminal with a minimum of 48 gates, scheduled to open in September 1981.
- Sea World, currently the second most visited attraction in Florida, opened "Florida Festival" in January 1980 and "Shark Encounter" in June 1980. These are are the first segments of a 10-year, $100 million expansion program.
- The first phase of Little England, a proposed $170 million theme park containing amusements, rides and replicas of an English village, Stonehenge and a Norman castle, scheduled to open in July 1982.
- Universal City Florida, a proposed $100 million to $200 million attraction to be built by MCA, Inc., the first phase of which is scheduled for completion in late 1984. This complex will be similar to the California Universal Studios Tour, and will include movie sound stages, backlots and production facilities.
- The expanding activities of Martin-Marietta, the largest industrial employer in the area, and new plants being built by Western Electric, Westinghouse and Burroughs Corporation.

New hotel development will be concentrated in four areas: Lake Buena Vista, Plaza International (site of the new convention center), the new Interstate 4 interchange that will be built near EPCOT Center, and Walt Disney's proposed Reedy Creek project near the intersection of Interstate 4 and U.S. 192. A few hotels are expected to be built near the new jetport terminal and possibly downtown near Expo Center.

The most notable trends in 1980 and early 1981 were the significant increase in international visitors, helping to offset a decline in domestic travel; increased use of group tours and fly-drive packages, and increasing popularity of close-to-home vacations.

These trends, coupled with uncertainty about the national economy and the erosion of discretionary income by inflation, have resulted in a leveling of demand in the area. Occupancy in 1980 was 68.3 percent, but room sales per occupied room increased 17.1 percent to $36.

Area occupancy through the first quarter of 1981 was 70.9 percent, an 11.8 percent decline compared with the same period in 1980. This was due to the continuing recession, unseasonably cold weather and the high cost of travel. Room sales per occupied room increased 14.5 percent to $38.40.

Preliminary data indicate that demand will increase throughout the rest of 1981. Area occupancy is projected to be slightly lower in 1981 than in 1979 and 1980, and room sales per occupied room should increase [illegible] to 15 percent.

Charles Ross
Tampa

From Philadelphia

The supply of and demand for hotels in Philadelphia increased at the same rate in 1980, producing a city-wide occupancy of about 60 percent, the same as in 1979.

Total room supply increased about 12.6 percent in 1980. The renovated 565-room Fairmont hotel, which again became the Bellevue-Stratford during 1980, completed its first full year of operation. The Franklin Plaza Hotel opened its doors in October 1980 to greet attendees of the World Series. Although only a portion of the hotel's 800 rooms were available initially, all were in use by year-end. The 300-room Plaza Hotel, an apartment conversion, opened some of its rooms during the year; the remainder will not become available until all tenant leases have expired. The major decrease in room supply during 1980 occurred with the closing of the 1,200-room Benjamin Franklin Hotel, which will be renovated to include residential units as well as about 400 guest rooms.

Demand also increased about 12.6 percent in 1980, with the commercial and convention group meeting market segments showing the greatest growth. Modest increases are projected for the commercial and tourist markets, while substantial growth is expected in the convention group

meeting segment as a result of the tremendous increase in first-class and luxury hotel rooms available in or planned for the city.

Average room rates for Philadelphia hotels increased 10 to 15 percent between 1979 and 1980. However, the weighted average room rate for center city properties increased a dramatic 25 percent to $45.40 due to increases in the average rates of existing properties and higher rates at new properties.

Three hotels under construction and one planned for the city should provide sufficient mid-size hotel capacity for the foreseeable future. These projects, expected to open between 1982 and 1984, include:

- The 360-room luxury Hotel Rittenhouse.
- The 400-room luxury Four Seasons Hotel.
- A 451-room hotel to be operated by the Hershey Resort and Entertainment Company.
- A 300- to 350-room hotel planned for the Society Hill section of the city.

These new properties, as well as existing hotels, will have to aggressively pursue convention group meeting business, which had declined due to a lack of quality hotels, to achieve optimum occupancy levels.

In summary, the long-awaited renaissance in Philadelphia hotels has begun. All concerned with the city's lodging industry are working to return Philadelphia to the status of a vibrant, progressive, competitive hotel city.

Peter R. Tyson
W. Wesley Ayre
Philadelphia

From Portland

According to L&H's monthly publication, *The Oregon Trend of Business in the Lodging Industry*, occupancy declined 4 percent in 1980, while the average room rate increased 12 percent. The decline in occupancy was due, in part, to general economic conditions and the opening of new properties, such as the downtown Portland Marriott and the Hilton resort in Newport, Oregon. The increase in average room rate was primarily the result of inflation, although rates are still much lower in many parts of the country.

Construction currently is at a low point. The Eugene Hilton, the only major project under development, is expected to open in December 1981 or January 1982 and will become the focal point of the downtown core in Eugene. Several hotel projects in early stages of planning may ultimately materialize. These include the 450-room Portland Plaza, which could open in 1983 or 1984.

A bond measure recently was passed to fund a performing arts center for Portland. The project, which will include redevelopment of existing properties as well as development of new projects, will add to the viability of the downtown area.

After many years of growth in the restaurant industry, 1981 will bring a rapid slowdown in the addition of restaurants in Oregon. Reports of sales in the restaurant business are mixed, with some properties performing extremely well.

Robert I. Mesher
Portland

From Providence

For the Providence lodging industry, 1980 was a fairly good year. Average room rates and restaurant sales both increased 10 to 20 percent, while room sales increased about 10 percent after adjusting for room additions.

No new construction has begun since the Marriott opened 100 additional rooms in March 1980. However, a 200-room hotel planned for the airport area in Warwick is scheduled to open in 1983.

Although convention bookings have increased by two million attendees, some major conventions, such as the jewelry convention, haven't been as large as in the past. The contemplated 1,000-seat convention center and banquet facility has failed to materialize as a result of high interest rates. Many industry professionals believe Providence's convention and hotel business will suffer until such a facility is built.

Numerous articles publicizing the Providence area have appeared recently in trade and travel publications. Motor coach tours have doubled in the past year.

Higher energy costs, aggravated by unusually cold weather in January 1981, focused attention on these costs. Area hotels have intensified staff training in conservation and installed new equipment. This should lead to significant cost reductions.

Proposed cuts in Federal grants to the U.S. Tourist Bureau and the Rhode Island Historical and Preservation Societies could result in fewer tourists visiting the area. Reagan Administration measures to deregulate gasoline could cause tourists to remain closer to home.

Hotels are countering with new marketing techniques. One has mounted a "Believe in Providence" advertising campaign, while another is promoting use of its banquet facilities through wedding packages, class reunions and bus tours.

Donald Horowitz
Providence

From Raleigh

The Raleigh, North Carolina lodging market is characterized by a growing, strong commercial demand base, which tends to be more stable than markets with pronounced tourist and group meeting demand. The continuing recession, coupled with double-digit inflation, has resulted in a reduction in discretionary weekend travel. However, it is still common to find the market fully utilized during midweek periods, with unaccommodated demand spilling over into the Durham area. Area occupancy in 1980 was estimated to be in the low 70 percent range, only a marginal reduction from 1979. The areawide average room rate rose about 12 percent, paralleling regional inflationary trends.

The outlook for future growth remains positive, with the continued development of the Research Triangle and the steady influx of new industry to the area. Expansion of Raleigh-Durham Airport, scheduled for completion in early 1982, has stimulated interest in new hotel development as well as expansion of existing facilities.

The Governor's Inn is adding 75 guest rooms while the Sheraton Inn-Crabtree opened 70 new rooms in 1980.

A 303-room Marriott Hotel under construction in Crabtree Valley, an area experiencing sustained, rapid growth, is scheduled to open in early 1982. Also under construction is a 360-room Radisson Hotel in downtown Raleigh adjacent to the Civic Center. The property is scheduled to open on July 1, 1982. These facilities are expected to inaugurate a new drive to capture latent group demand and stabilize late-week occupancy levels.

William J. Spears
David T. Seeses
Atlanta

From Richmond

In 1980, as in recent years, all segments of the Richmond, Virginia area economy exhibited strong growth. Occupancy levels for lodging facilities reached the low 70 percent range. Only continuing increases in the room supply inhibited the market from attaining higher occupancy levels. Average annual room rates for area properties ranged from $32 to $45 in 1980.

The lack of first-class lodging facilities downtown has forced a major portion of potential downtown demand to shift to western Richmond, where the city's first-class hotels are concentrated. However, downtown Richmond has begun to exhibit signs of a resurgence, which should draw these customers back.

More than 1.2 million square feet of office space has been proposed for the downtown area. Project 1, the city's new convention center, is expected to have a major impact on the entire metropolitan area. This development, scheduled for completion by 1983, will include about 410,000 square feet of exhibit, convention and office space, as well as a 450-room hotel with a retail and public atrium. Other developments in the downtown area include a 350-room first-class hotel proposed for the financial district, and the renovation of the Old Main Street Station as a regional shopping center. These developments are expected to be completed in conjunction with the opening of the convention center. In addition, developers are proposing to restore the 100-year-old Hotel Jefferson, reopening the 200-room grand hotel by 1982.

Major commercial development also has occurred west of the city. This trend is expected to continue, especially as construction of the Interstate 295 bypass nears completion.

The rejuvenation of downtown Richmond, continued development of its suburban areas and the outlook for business and industrial growth in the area all indicate continued growth of the area's lodging industry in the foreseeable future.

Frederick W. Mosser
John F. Ruzic
Washington, D.C.

From St. Louis

In 1980, the overall average occupancy rate for St. Louis declined almost 6 percent, reflecting local and national recessionary pressures. However, area hotels reported a gain of nearly 10 percent in room sales as a result of a 13 percent increase in average rates.

Recent hotel developments in the downtown area include:

- The 400-room Radisson St. Louis Hotel, adjacent to the Convention Center, which opened late in May 1981.
- A 430-room expansion nearly doubling the size of Marriott's Pavilion Hotel, expected to open in late summer 1981.
- The 900-room Stouffer's Riverfront Towers convention hotel is contemplating the addition of 800 rooms.
- Oppenheimer Properties has hired the Rouse Company, developer of Boston's Faneuil Hall Marketplace and Baltimore's Harborplace, to develop 200,000 square feet of commercial space in conjunction with a 550-room Omni International Hotel, all housed in Union Station, the nation's largest covered train station. Construction is expected to begin early in 1982.
- Plans have been announced for a 288-room Granada Royale Hometel to be built along the St. Louis riverfront adjacent to the successful Laclede's Landing redevelopment area. A luxury Hyatt Hotel and a 500-room Fairmont Hotel, which will include a large amount of retail space, also have been proposed for this area.

In the airport area, a 180-room addition to the Marriott Airport Hotel and the new 270-room Oakland Park *Hotel both* opened in April 1981. As a result of continuing demand for first-class rooms at the airport, Stan Musial & Biggies Hilton Inn is planning a 110-room addition, and Breckenridge Hotel Corporation is proceeding with plans for a 600-room luxury hotel to be built in two stages. The first stage, with 425 rooms, is expected to open early in 1983.

Recent residential and commercial redevelopment has spurred activity in the midtown area. The new owners of the historic Chase-Park Hotel, which was purchased in May 1981, plan to renovate the hotel complex, developing the Park Plaza as luxury condominiums and restoring the Chase Hotel to its former elegance.

In the Clayton area, the Daniele Hotel, previously a Ramada Inn, opened in 1980. Plans are proceeding for a 415-room Westin Hotel to be included in a major office, apartment, condominium development. The hotel is expected to open in mid-1984.

In October 1980, two first-class hotels opened in the Westport area of St. Louis County – the 212-room Sheraton Plaza Hotel and the 115-room Holiday Inn Westport – more than doubling area room supply. Despite this, occupancies remained close to previous levels.

Several major chains are planning to enter the St. Charles lodging market to take advantage of recent population increases. These include La Quinta Motor Inns, Holiday Inns, Drury Inns and Sheraton.

Other hotel development activity in the St. Louis area includes:

- The 186-room Ramada Inn Eureka, which opened in spring 1981, located at the Six Flags Over Mid-America amusement park.
- An executive conference center has been proposed for western St. Louis County, along with a 225-room hotel and an adjacent sports complex.

- The Ramada Inn Alton (Illinois) added 35 rooms, increasing its supply to 136.
- Two new properties are under consideration for Alton: a 140-room Holiday Inn and a 150-room hotel at Alton Memorial Airport.

Felix Cacciato
St. Louis

From San Antonio

The San Antonio lodging market showed strength during 1980 despite the nationwide recession and increasing interest rates. Although citywide occupancy declined to 70.6 percent from 74.4 percent in 1979, the strength of the market was reflected in the high occupancies achieved in the commerical sectors and the increase in average room rates.

The building moratorium that restricted development over the Edward's aquifer, north of Loop 410, was removed in 1980, resulting in commercial and industrial growth in the north, airport and northwest sectors of San Antonio. A concerted effort is being made to attract new labor-intensive industries, including electronics, medical instrumentation and plastic specialties, to these areas. Datapoint Corporation, Farinon Electric and American Hospital and Supply Company have all relocated in northwest San Antonio. Occupancy levels for the north, airport and northwest sectors were 85 and 78.9 percent respectively in 1980.

At year-end, the average room rate in the San Antonio area was $34.06, an increase of about 13 percent over 1979. During the first half of 1981, the citywide average was $39.92, an increase of about 15 percent over the same period in 1980. Rates are expected to maintain this growth throughout 1981, along with total sales, which currently are exceeding 1980 levels by nearly 16 percent.

Hotel construction slowed in 1980. Only the 217-suite Granada Royale in northwestern San Antonio opened in 1980 (November). A 303-room Holiday Inn on the North Loop near the airport opened in March 1981. Several first-class hotels are scheduled to open in 1981 and 1983, including:

- The 640-room Hyatt Regency in downtown San Antonio, scheduled to open in December 1981.
- The 302-room Marriott North San Antonio on the North Loop at San Pedro Avenue, which will open in 1983.
- A 330-room hotel on Interstate 10 at Callaghan Road, also scheduled to open in 1983.

The Hyatt Regency will cater primarily to tourists and conventions, while the Holiday Inn, the Marriott and the 330-room property are expected to attract commercial travelers. The San Anthony Hotel, in downtown San Antonio, was purchased by Inter-Continental Hotels in April 1981.

More hotel development is expected in the north sectors as the commercial-industrial base becomes more diversified. Although the tourist and convention trade in downtown San Antonio slowed during 1980, it is expected to rebound in 1981 as a result of recent renovation of convention facilities and the convention bureau's efforts to attract larger national conventions. With strong growth projected in these markets during the next few years, San Antonio's lodging industry should continue to prosper.

G. Randle McCaslin
Houston

From San Diego

In 1980, areawide occupancy in the San Diego lodging market remained equal to the 1979 level of 79 percent. The areawide average daily room rate increased about 17 percent, the same rate of increase as in the previous year. So far in 1981, occupancy has increased slightly, and average daily rates continue to increase at a faster rate than inflation. The stability and strength of these two lodging industry indicators at a time of high inflation and recession illustrate the continuing strength of demand in the market area.

The recent defeat at the polls of the city's proposed convention center halted several hotel developments planned for the downtown area. The convention center was expected to bring new hotel demand into the downtown area, helping to increase occupancy levels that are now the lowest in the San Diego lodging market. However, there is a high level of office development activity in downtown San Diego, which should generate new demand for hotels.

The real strength in the San Diego lodging market is found in resort-oriented hotels, which lead the area in occupancy levels and average daily room rates. Hotel developments being planned center around the resort-like settings and attributes of the city. Major hotel projects under construction or recently completed include:

- A 110-room addition to the Vacation Village Hotel in Mission Bay, which opened in mid-1980.
- A 250-room addition to the Sheraton on Harbor Island and a 180-room addition to the Hanalai Hotel in Hotel Circle, both of which opened in December 1980.
- A proposed 352-room Hilton Inn in La Jolla, expected to open in 1983.
- A proposed 682-room Inter-Continental Hotel on Coronado Bay at Navy Field and a 438-room Ramada Renaissance Resort Hotel in Mission Bay, both scheduled to open in 1984.
- A proposed 700-room Amtac hotel in downtown San Diego, projected to open in 1985.

The most significant new trend reported by area hotel operators is the increase in vacation demand from Southern California and the immediate San Diego area.

The outlook for the San Diego lodging market is bright. San Diego continues to show growth in tourist demand, and despite the defeat of the convention center is a strong competitor for major conventions and group meetings. Overall, 1981 is expected to be an excellent year for area hotels.

Jerome A. Morrison
San Diego

From San Francisco

Major San Francisco Bay area lodging markets registered lackluster performances in 1980. Areawide occupancy rates dropped two to five percentage points below 1979 levels. Average daily room rate increases of 12 to 21 percent were largely offset by higher salary costs and other oper-

ating expenses, leaving profitability levels virtually unchanged.

Industry sources attributed the decline in occupancy to two factors: the decline in tourism, commercial and convention business due to national economic conditions, and a significant decrease in air travel resulting from substantial increases in air fares. Domestic and international passenger travel at San Francisco International Airport decreased 7.9 percent in 1980, with other area airports experiencing similar declines.

Citywide occupancy in San Francisco decreased four to five points to about 80 percent in 1980, due partly to labor problems. Union contract disputes resulted in a month-long strike by the Hotel and Restaurant Employees' and Bartenders' Union. This well-publicized strike caused a significant loss in usually heavy summer tourism business.

To keep pace with increased labor union wage packages and inflation, average room rates in the city rose 15 to 20 percent in 1980. Area operators project occupancy levels of 81 to 82 percent and rate increases of 10 to 15 percent for 1981.

Two major developments should stimulate future hotel demand. The plans for the 21-acre Yerba Buena Center project in downtown San Francisco are being finalized. It will include office and retail space, a luxury hotel, housing, entertainment attractions and extensive gardens and open space. The new George R. Moscone Convention Center, with 650,000 square feet of floor space and 31 meeting rooms ranging in capacity from 50 to 600 people, is now scheduled for completion by early 1982. These developments have spurred plans for new hotels, although no construction began in 1980.

The Oakland/East Bay area experienced the same performance trends as San Francisco. Areawide occupancy dropped three to four points, with average daily room rates increasing 16 to 21 percent. The only major planned addition to room supply is the 511-room Hyatt Regency, scheduled for completion in 1983.

As projected in 1979, occupancy in the San Francisco International Airport area dropped two points in 1980 to 83 percent, while the average room rate increased slightly to $45. Future development plans include two major hotels and one expansion, which will add a total of about 1,500 rooms to the area supply by 1984.

In the South Bay area, occupancy declined three points and average room rates increased 15 to 18 percent. Construction has begun on the 511-room Red Lion Inn in San Jose, which will include 30,000 square feet of banquet space.

We anticipate slightly better hotel operating performance in 1981 as San Francisco Bay area lodging facilities benefit from an improved economic climate and the anticipated slowdown in inflation. Average room rate increases are expected to outpace inflation rates. However, with continued cost increases, particularly related to labor, strict management control will be imperative to bring the same past profit margins to the bottom line.

Clarence H. Peters
San Francisco

From San Juan

The hotel industry in Puerto Rico has not shown any improvement during the past two years. Statistics published by the Tourism Company of Puerto Rico indicate that the average occupancy rate for fiscal 1979-80 was 64.7 percent compared with 66.9 percent for the previous year, a decrease of 2.2 percent. For the winter season, which ended in mid-April 1981, the occupancy rate dropped to 76.9 percent from 82.4 percent for the same four-month period in the previous year. This was caused by strikes at three hotels in February 1981, the national economic slowdown, increased air fares and bad publicity resulting from terrorist bombing of National Guard aircraft.

Although some hotel executives predict a depressed summer season for 1981, special low coach fares offered by major commercial airlines during May and June may increase the number of visitors to Puerto Rico.

Except for one small hotel that is being rebuilt, there is no construction or renovation activity in the metropolitan area. The room supply in San Juan remains at about 5,400 rooms. However, there is some activity in the Paradores (country inns) program. Some inns have undergone extensive modification to make them more functional or attractive, while rooms are being added to others. Currently, the eight inns throughout the island provide 195 rooms.

Looking ahead, increasing competition from casinos on the U.S. mainland and the Reagan Administration's budget cuts are expected to have an adverse effect on the tourism industry in Puerto Rico. The Tourism Company, assisted by outside consultants, is preparing a master tourism plan to assist local government and the private sector in planning and developing the industry.

Abimael Semprit-Cruz
San Juan

From Seattle

During 1980, the room supply in the Seattle metropolitan area lodging market increased dramatically. The 435-room Park Hilton in downtown Seattle, the 453-room Marriott and the 226-room Doubletree Plaza, both near Sea-Tac International Airport, and the 185-room Bellevue Hilton all opened in 1980. The impact of the additional rooms was diminished by the temporary closing of the 750-room Olympic Hotel in downtown Seattle late in the year.

The increase in room supply contributed to a 6 to 8 percent decline in occupancies for 1980. Other factors were the recessionary economy, a decline in the number of commercial air travelers at Sea-Tac, and the eruptions of Mt. St. Helens in May and July 1980, which had a minor impact on the tourist season and the convention market. The state of the national economy, coupled with increased competition in the area hotel industry, resulted in lower increases in average daily rates than experienced in recent years.

The Seattle economy, which has boomed during the past four years, was healthy and stable throughout 1980. The Boeing Company, the

area's largest employer, has a record backlog of commercial aircraft orders and will soon begin production of the new generation 757 and 767 aircraft. Boeing also anticipates a strong period of military and aerospace activity. Shipbuilding, high technology electronics and foreign trade are other strong areas of growth in the regional economy.

Seattle has continued to strengthen its role as the financial and commercial center of the Pacific Northwest and Alaska, resulting in dramatic growth of commercial construction in the area. During the next few years, an additional 2.5 million square feet of commercial office space will be added in the downtown area alone, an increase of 25 percent. To the north and east of the city, high technology firms continue to expand dramatically in large suburban industrial and office parks. Hewlett-Packard and Fairchild Instrument are both planning large developments in the metropolitan area, and local electronics firms serving the aerospace and shipping industries are experiencing growth.

Area room supply continues to grow to meet the demand of industry and commerce. New developments include:

- The renovated 242-room Warwick Hotel in downtown Seattle, formerly the David Denny, which opened in spring 1981.
- Red Lion/Thunderbird Motor Inns completed a 152-room addition to the Red Lion Sea-Tac Inn in summer 1981 and will open a 355-room Red Lion in Bellevue this fall.
- The renovation of the Olympic Hotel by Four Seasons Hotels will be completed by mid-1982, adding 451 rooms.
- Seattle-based Westin Hotels will open a 455-room addition to the Washington Plaza Hotel in 1982.
- An 871-room Sheraton Hotel currently under construction is expected to open in summer 1982.
- Ground has been broken on the 576-room Madison Hotel.

Russ C. Valentine
Stephen Mikol
Seattle

From South Florida

South Florida's economy continues to display strong growth and development. Diversified dependence on international trade, tourism and banking reduces the area's vulnerability to recessionary downturns. The growth of international business and other economic indicators, such as air and cruise travel, population, housing starts and retail sales, exemplify the stability and growth potential of this area. To strengthen its economic base, South Florida has completed a $55 million airport terminal expansion at Miami International, including an enlarged U.S. Customs area and an automatic passenger shuttle system.

Current hotel developments include:

- The opening of the 575-room Ft. Lauderdale Marriott.
- A 608-room Hyatt Regency in downtown Miami, scheduled to open in fall 1981.
- A 367-room Hyatt Hotel in West Palm Beach, completed in June 1981.
- A 500-room Holiday Inn under construction in downtown Miami.
- The Ball Point Development in Miami, which includes the 630-room Pavillon Hotel affiliated with Trust Houses Forte Hotels, expected to open in late 1982.
- The Sheraton River House near Miami International Airport has introduced deluxe bilevel suites in a 140-room addition.

During the first three months of 1981, area occupancy declined 8.7 percent from the same period in 1979 to 82.1 percent. Miami Beach hotels experienced a 13.9 percent decrease attributable, in part, to adverse national publicity concerning area crime, unseasonably cool weather and the impact of the refugee influx. However, average room rates increased almost 15 percent in first quarter 1981. Interviews with managements of the area's first-class hotels indicated that properties that reinvested profits to fund continued refurbishment and upgrading outperformed those that let their physical plants decline or maintained the status quo.

Despite a slow first quarter 1981, we predict the situation to be temporary. Increasing travel to the area by Latin Americans and Europeans contributes to the strength of South Florida's lodging markets. In 1980, international travelers represented 41 percent of all passenger traffic at Miami International Airport, making it the world's second largest international passenger terminal, behind J.F.K. Airport in New York City.

As South Florida continues to be a source of international business, we expect the hospitality industry to prosper. Area residents and hoteliers are committed to the development of the industry throughout the next decade.

Irwin I. Glick
M. Chase Burritt
Miami

From Tampa

Most new hotel development in the Tampa area is occurring in the downtown and airport/Westshore market sectors as a result of the rapid expansion of Tampa's commercial and industrial bases.

During 1980, construction proceeded on four major office buildings in downtown Tampa. These projects, expected to be ready for occupancy by the end of 1981, will add 1.5 million square feet of office space to the downtown market, effectively doubling available supply. The largest is Tampa City Center, a $92 million, four-square-block complex that will include 860,000 square feet of office space, a 1,600-car parking garage and a 540-room Hyatt Regency.

The Hyatt Regency, scheduled to open in May 1982, will play a key role in the revitalization of the central business district. Already, existing hotels are upgrading their facilities in anticipation of competing with the Hyatt Regency. The Holiday Inn-Central is completing a $3 million renovation, and $2 million will be spent during 1981 to upgrade the Tampa Hilton Inn's guest rooms and public areas.

During the next two years, 700 new hotel rooms will be added to the airport/Westport market sector, which relies on a wide variety of

demand generators and has the largest concentration of hotel rooms in the area. A 312-room Marriott opened in June 1981, and a 150-room expansion of the 353-room Holiday Inn-Airport should be completed by December 1981. Site preparation began in April 1981 for a 238-room luxury Hilton, scheduled for completion in late 1982.

The North Tamoa hotel market should continue to benefit from the expansion of Busch Gardens. Timbuktu, a $13 million addition to the African theme park, opened in December 1979; Adventure Island, a completely separate water-oriented attraction, opened in March 1980. As a result, attendance at Busch Gardens in 1980 was more than 3.1 million persons, a 7 percent increase compared with 1979. These expansions are expected to encourage repeat visits, as well as increase the average length of stay in area hotels.

On Clearwater Beach, a 414-room, convention-oriented Holiday Inn was scheduled to open in September 1981. This property will have the most extensive meeting facilities of any of the beachfront hotels.

In 1980, occupancy for the Tampa Bay area was 69.4 percent, a decrease of 1.3 percent compared with 1979. The average room rate increased 19.2 percent to $35.83. The most notable trends that emerged during 1980 were increases in the number of international visitors to the Tampa Bay area (especially the beachfront market sectors); the popularity of close-to-home vacations, and the use of group tours and fly/drive packages. The number of international visitors should continue to increase during 1981, as Tampa now has scheduled air service to London, Paris, Frankfurt and Mexico City.

For the first quarter of 1981, area occupancy was 76.7 percent, an 8.4 percent decline from 1980. This decrease was due to unseasonably cold Florida weather and the high cost of travel. The average room rate increased 13.5 percent to $41.17. During the remainder of 1981, occupancies are expected to more closely resemble those of 1980, although overall occupancy levels should be down slightly. Average room rates are expected to increase 13 to 15 percent.

Joel Eisemann
Tampa

From Tucson

The Tucson lodging market is continuing to grow steadily as a result of the airport's planned expansion, an influx of major companies to Tucson and the proximity of the city to the Mexican border.

Airport traffic at Tucson International has increased to the point where the Airport Authority has announced plans to double the number of gates. Proposed projects in the airport area include:

- A 206-room Granada Royale Hometel.
- A 250-room Vagabond Motel.
- A 248-room Holiday Inn with convention facilities under construction at the Palo Verde Plaza on Palo Verde Road and Interstate 10.

Other proposed projects include a $2.5 million, 92-unit Tangue Verde Inn to be built on the city's east side. Laventhol & Horwath is conducting a study to determine the feasibility of downtown site for a hotel.

Major plant openings during the past five years have benefited the lodging industry and the local economy in general. The commercial travel market has improved as a result of these openings and the steady increase in commercial airport traffic.

Rising costs of transportation and travel have inspired people to "discover their own backyard." Tucson currently offers more than 8,900 hotel and motel rooms to accommodate visitors from both in and out of state.

Tucson is establishing itself as one of the fastest growing cities in the Sunbelt, and also is emerging as a gateway to Mexico and Latin America. By demonstrating its ability to attract major companies, Tucson has improved the area lodging industry's potential for continued growth while reducing its dependence on tourism.

Florentino Gonzales
Tucson

From Tulsa

Occupancy in the Tulsa area lodging market declined 1 percent during 1980 to 72 percent. However, average rates increased about 15 percent over 1979.

Tulsa's broad economic base, ranging from oil- and gas-related companies to high technology and aerospace firms, has insulated the area somewhat from the national economic slowdown. Substantial growth in commercial activity experienced during the 1970s is expected to continue into the 1980s. Among the major projects being developed in Tulsa are the new 1.8 million-square-foot headquarters of the Cities Service Company and the $100 million City of Faith medical complex, expected to open in fall 1981 at Oral Roberts University. A proposed 135,000-square-foot expansion of the Tulsa Assembly Center would more than double the facility's size and increase its competitiveness for regional and national conventions.

Commercial and convention activity in the area have stimulated interest in lodging development. A 211-room Holiday Inn on Interstate 40 opened in spring 1981. Construction of Trust Houses Forte's 450-room Excelsior Hotel has begun downtown, with completion scheduled for late 1982. The 400-room Mayo Hotel, also downtown, has begun a major renovation effort. Other existing properties have either begun or announced construction of additions, including about 80 rooms at the Williams Plaza and 250 rooms at the Sheraton Inn-Airport. Major new hotels have been proposed for many areas, including the airport, south Tulsa and near Oral Roberts University.

The Tulsa lodging market is evolving rapidly, as hotel operators and developers react to the opportunities provided by commercial growth.

Jeffrey K. Marvel
David J. Durden
Kansas City

From Washington, D.C.

Hotels in the Washington, D.C. area experienced a slight decrease in occupancy (less than 2 percent) to about 69 percent in 1980. This was antic-

ipated since District of Columbia hotels generally experience lower occupancies in an election year. Maryland and northern Virginia showed slight increases in 1980 to about 71 to 73 percent respectively.

Notable increases in the District room supply during 1980 included the 1,500-room Sheraton Washington and the conversion of some small apartment buildings to hotel use. In the Maryland and Virginia suburbs, several budget properties opened and a 190-room addition to the Key Bridge Marriott was completed.

Trends in early 1981 indicate that occupancies in the District, as well as the suburbs, are increasing. The year-end occupancy average is expected to return to the 70 percent range even with the addition of several major properties.

The Washington Marriott and Holiday Inn Washington increased the District room supply by nearly 900 rooms in early 1981. An additional 500 rooms should enter the market in late 1981 in two properties the Quality Inn Royale and the Ramada Renaissance. These properties herald an anticipated boom in hotel development planned to coincide with the opening of the Washington Convention Center in late 1982. The majority of new properties will be convention and group-oriented, such as the 800-room Marriott under construction on Pennsylvania Avenue.

Marriott Corporation leads in suburban development with the opening of 400 rooms at Tyson's Corner, Virginia in early 1981 and two other projects under construction one in Crystal City, Virginia and one in Gaithersburg, Maryland. Meanwhile, the 675-room Crystal City Hyatt continues to move toward a 1982 opening.

Demand generators are anticipated to keep pace with area hotel development. The convention center is expected to contribute several hundred thousand annual room nights to District hotels even in early years of operation. Office construction is expected to add more than two million square feet of space in 1981 and 1982 after two consecutive years (1979 and 1980) in which additions totaled just under two million square feet. Vacancy rates for first-class office space in the District continue to remain below 0.1 percent, while rental rates are escalating. Growth in the suburban office market is equally impressive, with vacancy rates estimated at less than 3 percent.

These developments indicate that the predominantly commercial demand for Washington area lodging should strengthen well into the 1980s, supporting the anticipated growth in hotel development. The question of financing, with spiraling interest rates, continues to be a hurdle for many proposed projects, casting a shadow on the real growth of the lodging market.

Frederick W. Mosser
C. Richard Kibbey
Washington, D.C.

The U.S. Lodging Industry

Introduction

Laventhol & Horwath's 49th annual report on the United States' lodging industry contains financial information useful in understanding the operating characteristics of the industry and as a guide for comparing the operating performance of an individual establishment. Supplementary information on sources of business, composition of lodging demand and other marketing statistics are also presented. The information in the study is based on data obtained from a broad segment of the industry, totaling more than $2.5 billion in total sales during 1980. The information on these properties is broken down into separate categories and includes medians, quartiles and arithmetic means for 42 different groups.

Bases of statistics

The statistics presented in the report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratios to total sales. Readers not familiar with L&H's lodging industry reports, especially those who are not well acquainted with hotel financial statements, are advised to read carefully "Bases and Significance of Hotel Statistics," which is Chapter 28 of the fourth revised edition of *Hotel Accounting*, published in 1978 by the Ronald Press Division of John Wiley & Sons. This material is essential to understanding and using the statistical information in this report.

Most of the figures used are the medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since not all establishments reported data for each line. We also use the arithmetic means where appropriate. For example, the figures in "The U.S. Lodging Industry Dollar" (page 29) are based on means to express absolute values rather than the relative position of the operating results of the establishments in the samples, which are shown by the medians and quartiles. The figures are intended to be used as guidelines, not standards or goals. They are not an attempt by L&H to set or conform prices or operating ratios for the industry.

Market data

The sources of business and composition of the market for the lodging establishments covered by the study are shown in Exhibit 1, broken down by location, and by those that reported more or less than 50 percent conference participants. The percentage of advance reservations and the source or composition of advance reservations are also shown in the exhibit.

Nearly 90 percent of the demand for rooms in the properties providing this information stemmed from domestic sources. When analyzed by composition of market, businessmen were the primary source of demand. During 1980, businessmen comprised 52 percent of the market. Tourists make up the second largest portion of the market for commercial lodging in the United States. There are significant differences in the makeup by location:

- Airport and suburban properties have the highest percentage of businessmen, receiving more than 70 percent of their demand from this source.
- Next to resorts, the highway and center city locations have the highest percentage of tourists, each receiving approximately one-fifth of their business from this market.
- Conference participants were more predominant in the resort and center city establishments.
- Center city properties also attracted the largest number of guests traveling on official government business.

The nationality of guests staying in establishments in different areas of the country is shown in Exhibit 2. As expected, the nearest neighbors of the U.S. dominate the international visitors, although South America, Great Britain and Japan supplied a significant number of visitors. Canadians were much more

Exhibit 1
Market Data*

	Location					Market	
	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Source of Business							
Domestic	80.8%	94.3%	95.8%	95.1%	84.9%	95.4%	89.2%
Foreign	19.2	5.7	4.2	4.9	15.1	4.6	10.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	48.3%	48.8%	49.8%	50.4%	41.9%	45.0%	49.7%
Composition of Market							
Government Officials	6.1%	3.2%	2.0%	2.9%	.3%	.7%	3.4%
Businessmen	46.6	70.3	77.3	59.1	7.2	15.8	55.3
Tourists	18.3	9.6	10.9	23.2	66.3	16.9	24.7
Conference Participants	22.0	13.5	8.6	9.7	22.4	64.6	12.0
Other	7.0	3.4	1.2	5.1	3.8	2.0	4.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	81.9%	66.6%	62.1%	67.0%	88.4%	94.9%	71.0%
Composition of Advance Reservations							
Direct	38.0%	35.2%	41.5%	46.4%	42.0%	44.0%	41.8%
Reservation Systems	39.4	46.3	49.2	36.9	17.7	29.8	39.4
Travel Agents & Tour Operators	16.0	12.2	8.1	10.8	24.4	4.5	14.0
Other	6.6	6.3	1.2	5.9	15.9	21.7	4.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	.5%	.8%	.3%	.2%	1.3%	.7%	.6%

*Based on those supplying detail.

numerous in the Northern and Southeast regions of the country. Mexicans and South Americans were more frequent in the Southern and Western regions. In summary, other than a few minor shifts, the composition of nationalities visiting the U.S. remained relatively unchanged.

Profile of the contributors

The typical contributor to the study is identified and defined in Exhibit 3 and the highlights of the

Exhibit 2
Nationality of Guests*

	All Establishments	By Area				
		North-East	South-East	North Central	South Central	West
U.S.A.	89.9%	86.0%	76.3%	96.5%	89.8%	91.4%
International	10.1	14.0	23.7	3.5	10.2	8.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other Nationalities — Ratio to Total International						
Canadian	19.9%	18.3%	19.7%	48.8%	8.1%	17.5%
Mexican	19.4	1.1	3.3	5.7	58.3	13.1
South American	16.0	6.8	37.6	3.1	6.9	2.6
British	8.3	14.8	5.1	8.8	7.4	11.9
Japanese	8.2	6.8	1.6	10.8	1.9	25.5
Central American	7.9	3.4	16.0	1.3	6.5	1.9
Other European	4.7	4.5	4.9	7.0	1.6	7.1
German	4.6	15.9	4.2	4.4	1.6	5.2
French	3.7	11.4	3.5	2.6	2.5	3.7
Middle Eastern	2.0	2.3	1.9	2.6	2.5	1.5
Italian	1.5	5.7	.7	.6	.9	2.2
Other Asian	1.5	1.1	—	1.3	.3	5.6
Scandinavian	.9	1.1	1.1	1.8	.3	.7
Australasian	.8	3.4	—	.6	.6	1.5
African	.6	3.4	.4	.6	.6	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those supplying detail.

Exhibit 3
General Profile of Typical Contributor — Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Built during the period 1970–1979
Size	150–299 Rooms
Occupancy	70–79%
Average Rate	$40–$49.99
Sales Volume	$2,000,000–$3,999,999
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is less than 50% of room sales
Other Management Operating Results	Affiliated with a chain; reported net income before income tax in 1980.

analyses of operating results are presented in Exhibit 4. Chart 1 is a visual representation of the source and distribution of the lodging industry dollar compared with the previous year. The arithmetic mean of the responses form the basis of the chart.

In general, the comparison shows that even though the occupancy rate declined slightly during 1980, dropping from 71.2 percent in 1979 to 70.4 percent last year, increases in room rates, double occupancies and menu prices enabled management to stay ahead of the rapid increase in the cost of doing business.

There was only a minor change in the portion of revenue from guest room rentals, but food and beverage sales continued to decline as a percentage of total revenue. The other revenue sources, particularly minor operated departments and rentals and other income, contributed nearly 40 percent more to total revenues in 1980 compared with 1979.

Nearly all of the operating expenses required a smaller portion of the revenue dollar with the exception of departmental expenses and energy costs. But a considerable decline in the portion of the dollar allocated to fixed costs, such as rent, property taxes,

Exhibit 4
Highlights*

- Room occupancy in 1980 was 70.4 percent, 1.1 percent lower than in 1979.
- The average room rate increased over 20 percent from $30.96 in 1979 to $37.67.
- Total sales per available room were 18.3 percent greater than in 1979.
- The net cost of energy per occupied room per day rose by nearly 31 percent.
- Median net income before income taxes increased from 8.9 percent to 9.8 percent.

*All figures are medians.

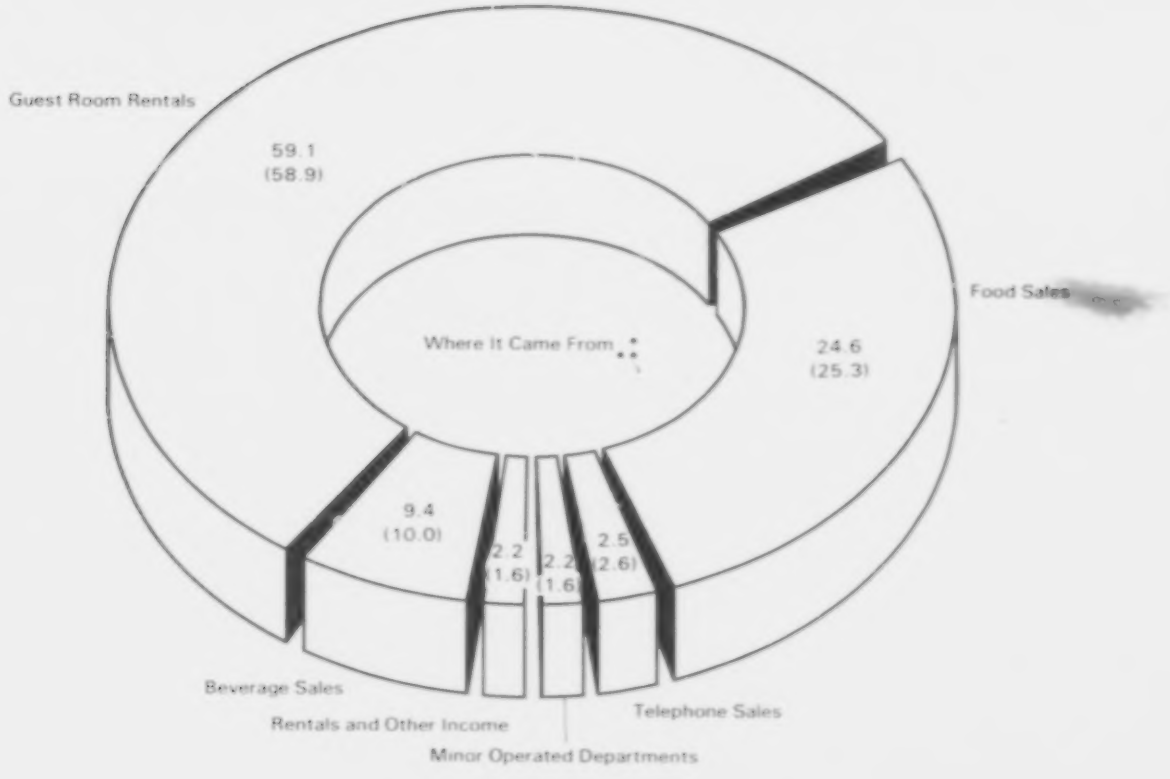
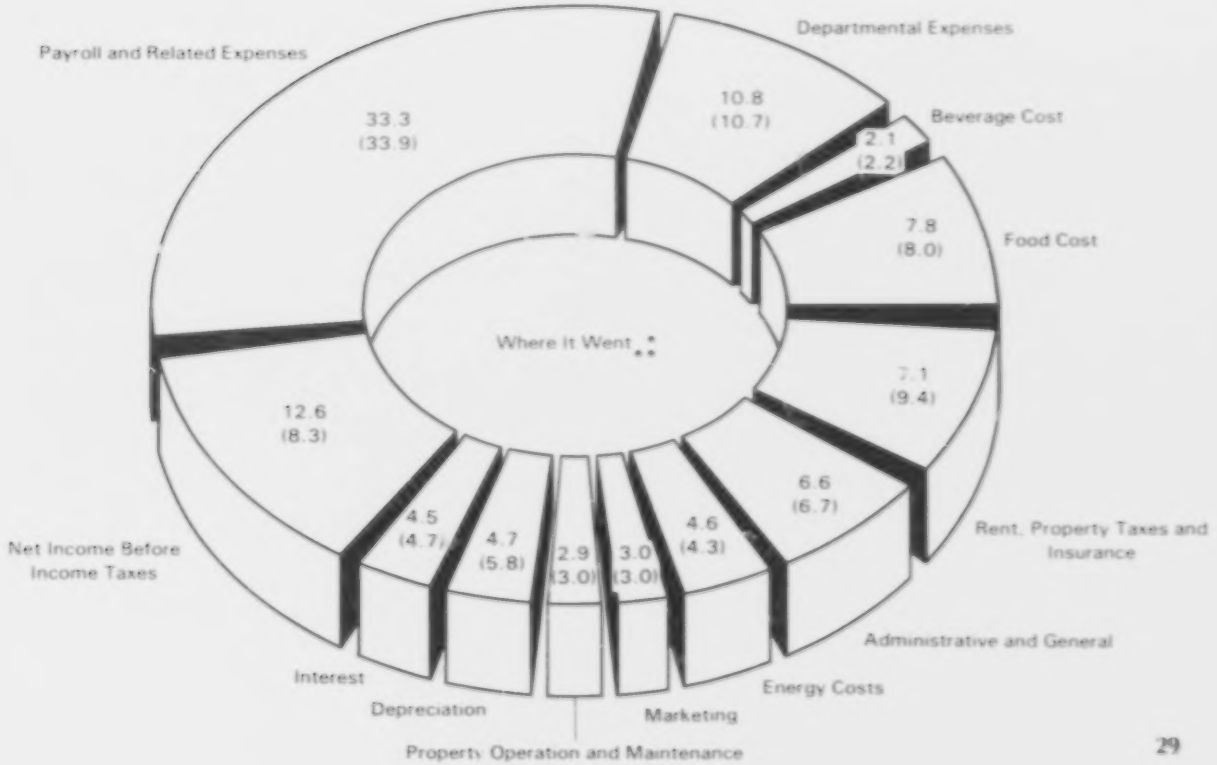


Chart 1: The U.S. Lodging Industry Dollar 1980

**Based on the arithmetic mean.*
***1979 amounts (in parentheses)*



insurance and depreciation, boosted the net income before income taxes from 8.3 percent in 1979 to 12.6 percent in 1980.

Performance measurements

Exhibit 5 shows a comparison of the median amounts of total sales, income before fixed charges and net income before income taxes for 1980 and 1979. The rate groups have been identified alphabetically because the ranges, especially in the lower levels, must be changed each year to reflect inflationary increases. The ranges for 1980 and 1979 are:

Group	Rate Range 1980	Rate Range 1979
A	Under $30.00	Under $25.00
B	$30–$39.99	$25–$34.99
C	$40–$49.99	$35–$44.99
D	$50 and over	$45 and over

The amounts were substantially higher in 1980 than in 1979 for all three measurements, although not uniformly in all groups. The median total sales per available room for the entire sample was up 18.3 percent. The older establishments and those with

Exhibit 5
Comparison of Sales and Profitability by Selected Criteria

	Total Sales		Income Before Fixed Charges		Net Income (Loss) Before Income Tax	
	1980	1979	1980	1979	1980	1979
Age						
Built Pre-1940	$23,902	$18,920	$6042	$5169	$2849	$1595
1940–1959	17,535	16,052	3826	3376	1212	1578
1960–1969	14,407	12,606	4205	3174	1433	1025
1970s	16,101	12,709	4603	3817	1185	849
Size						
Under 150 Rooms	$ 9612	$ 9853	$3453	$2553	$1747	$ 560
150–299	14,321	12,544	4267	3756	1256	1017
300–600	20,276	17,078	5347	4817	1455	1543
Over 600	24,037	18,752	7143	5444	3072	2562
Rate*						
A	$ 9288	$ 7633	$2875	$1932	$1256	$ 72
B	13,458	11,877	3814	3546	1070	884
C	19,843	17,545	5069	4810	1617	2533
D	29,634	27,740	8132	8210	3910	3216
Occupancy						
Under 50%	$ 7597	$ 6898	$1063	$1315	$(186)	$ (51)
50–59%	10,915	8635	2192	1554	100	(49)
60–69%	14,625	11,078	3772	2769	1176	670
70–79%	17,440	14,043	5259	4026	1726	1373
80% & Over	19,825	18,099	5845	5652	3247	2703
Restaurant Not Operated	$ 8739	$ 8621	$4765	$4018	$2288	$1032
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	$13,550	$10,707	$4003	$3028	$ 1524	$ 852
50–74%	17,424	14,482	4660	3481	1253	764
75–99%	20,554	19,374	4669	5079	1270	1780
100% & Over	23,110	21,165	6047	4525	1156	1644
Median, All Establishments	$15,271	$12,913	$4513	$3682	$1494	$ 956

*See above.

more than 600 rooms showed the largest increases, with the hotels built prior to 1940 reporting a 26.3 percent jump in total sales. Nearly all of the establishments were able to translate the sales increase into higher income before fixed charges, but properties with occupancies less than 50 percent experienced a decline in earnings. There were a few surprises in the analysis of net income before income taxes in that those properties with food and beverage sales greater than 75 percent of room sales reported a decline in this measure. The median net income before income taxes was up 56.3 percent for all establishments, one of the largest gains reported in this series of studies.

Other yardsticks used to measure performance are shown in Exhibit 6 – General Statistics. The ratio of income before fixed charges to room sales increased by nearly 5 percent, with 13 of the 22 groups reporting an improvement in this measure. The number of times average room sales were earned also increased during 1980, going from 115 in 1979 to 118. Increases in these efficiency measures were widespread primarily because of the higher room rates and subsequent higher sales volume of

Exhibit 6
General Statistics

	Ratio of Income Before Fixed Charges To				Number of Times Average Rate Was Earned	
	Room Sales		Total Sales			
	1980	1979	1980	1979	1980	1979
Age						
Built Pre-1940	39.8%	34.3%	24.0%	19.5%	107	98
1940-1959	42.7	45.0	24.2	26.7	100	90
1960-1969	42.3	43.2	26.8	26.5	117	112
1970s	47.9	45.8	28.2	29.5	121	117
Size						
Under 150 Rooms	43.4%	39.5%	31.4%	24.7%	109	95
150-299	45.8	45.9	27.8	28.8	118	118
300-600	45.0	46.0	26.8	29.8	116	127
Over 600	49.6	45.0	27.8	28.4	133	118
Rate*						
A	45.4%	34.4%	28.6%	20.7%	110	86
B	43.2	44.2	28.1	28.0	112	115
C	43.3	47.4	25.0	29.2	118	121
D	49.6	51.4	28.7	30.0	133	152
Occupancy						
Under 50%	28.5%	29.2%	15.8%	15.7%	33	49
50-59%	34.3	28.3	20.3	19.2	71	57
60-69%	43.4	41.5	27.2	25.7	103	96
70-79%	49.5	44.9	30.0	29.0	132	124
80% & Over	53.3	52.9	35.5	33.3	168	163
Restaurant Not Operated	56.6%	47.7%	52.1%	42.8%	177	135
Restaurant Operated — Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	44.7%	43.6%	31.2%	30.6%	121	109
50-74%	43.3	41.3	24.9	24.4	117	104
75-99%	43.6	46.2	22.6	24.5	114	126
100% & Over	57.5	46.6	24.6	20.3	133	117
Median, All Establishments	45.8%	43.8%	28.1%	27.3%	118	115

*See page 30.

Exhibit 7
Net Income Differential*

	Lodging Facilities Reporting		Net Income Facilities Differs By
	Net Income	Net Loss	
Occupancy	72.3%	61.9%	16.8%
Double Occupancy	38.0	27.7	37.2
Average Rate	$ 39.20	$ 33.63	16.6
Amount Per Available Room			
Sales			
Rooms	$10.145	$ 7468	35.8
Food	4097	2864	43.1
Beverage	2005	1420	41.2
Other	1282	1012	26.7
Total Sales	$16.825	$12.524	34.3
Payroll & Related Expenses	$ 5374	$ 4368	23.0
Undistributed Expenses (Excluding Payroll)			
Administrative & General	986	1045	(5.6)
Marketing	568	482	17.8
Energy Costs	813	777	4.6
Property Operation & Maintenance	487	412	18.2
Income Before Fixed Charges	5072	2403	111.1
Fixed Charges	2432	2875	(15.4)
Net Income (Loss) Before Income Tax	$ 2182	$ (657)	—
Number of Times Rate Was Earned	133	71	87.3
Net Cost of Operation Per Dollar of Average Room Rate	$ 133	$ 155	(14.2)
Ratio of Income Before Fixed Charges to:			
Room Sales	49.6%	30.2%	64.2
Total Sales	31.0	18.9	64.0
Cost of Food Sales (After Credit For Employees' Meals)	34.9¢	38.7¢	(9.8)
Cost of Beverage Sales	21.4¢	23.8¢	(10.1)
Food and Beverage Departmental Income Ratio to Room Sales	11.4%	5.9%	93.2
Productivity Index			
Food & Beverage	2.597	2.329	11.5
Total	3.317	2.817	17.7
Balance Sheet Ratios			
Current Position	$ 1.11	$ 57	94.7
Accounts Receivable Ratio to Total Sales	4.3%	4.0%	7.5
Food Inventory Turnover	28	29	(3.4)
Beverage Inventory Turnover	8	10	(20.0)
Ratio of Total Sales to Total Assets	84.9%	62.9%	35.2
Ratio of Net Income Before Income Taxes to Total Sales	15.0%	(5.3)%	—
Return on Total Assets	12.7%	(3.3)%	—

*All figures are medians.

the lodging establishments in L&H's survey.

Exhibit 7 shows the difference between those reporting net income and net loss. Slightly more than 77 percent of the properties that reported full financial details reported net income before income taxes in 1980, only moderately higher than the 75 percent in 1979. Nearly all of the performance measures for the net income group showed improvement over 1979 except for one of the key indicators of the industry's health, the occupancy rate, which dropped from 73.6 percent in 1979 to 72.3 percent in 1980.

Occupancy and average rate in properties reporting net income exceeded those in operations reporting a net loss by nearly 17 percent; therefore, the net income properties were able to generate considerably higher sales per room. Even though payroll and related expenses and the undistributed expenses, except for administrative and general, were substantially higher in the net income properties than for the net loss properties, the net income group earned more than twice as much operating income. In addition, fixed charges were

more than 15 percent less in the net income group, widening the variance between the two groups even further. In general, higher revenue were generated in those properties repo ting net income from relatively lower expenditures. This translated into higher productivity, lower food and beverage costs and much better utilization of assets.

The three measures of return on investment usually used to guage management performance are shown in Exhibits 8 and 9. Return on assets was mixed for the properties in our survey with roughly half of the groups reporting increases and the other half reporting decreases. Overall, the return on assets dropped from 8.4 percent in 1979 to 7.7 percent in 1980, primarily because of a drop in asset productivity. Turnover (sales per dollar of total assets) was down considerably during the year while the earnings ratio (ratio of net income before taxes to total sales) increased from 8.9 percent in 1979 to 9.8 percent in 1980. The combination of these two factors and how they affected the return on assets is depicted in Exhibit 8. The rates of return on invested capital (inter-

Exhibit 8
Return on Total Assets*

	Turnover[1]	Earnings Ratio[2]	Rate of Return or (Loss)[3] 1980	1979
Age				
Built Pre-1940	$1.14	11.6%	13.2%	11.2%
1940-1959	1.52	8.4	12.8	13.2
1960-1969	.68	9.8	6.7	9.7
1970s	.67	7.4	5.0	6.5
Size				
Under 150 Rooms	$ .76	14.8%	11.2%	5.4%
150-299	.68	8.4	5.7	7.8
300-600	.98	8.3	8.1	12.9
Over 600	1.15	16.7	19.2	21.3
Total Sales				
Less than $2,000,000	$ .66	12.4%	8.2%	1.1%
$2,000,000-$3,999,999	.81	6.6	5.3	6.6
$4,000,000-$7,999,999	.85	9.0	7.7	11.2
$8,000,000 & Over	1.08	12.6	13.6	17.5
Restaurant Not Operated	$ .61	26.6%	16.2%	11.9%
Restaurant Operated - Total Food & Beverage Sales Ratio to Room Sales				
Under 50% of Room Sales	$ .68	12.6%	8.6%	8.6%
50-74%	.96	6.5	6.2	4.9
75-99%	1.07	7.1	7.6	11.4
100% & Over	.75	3.7	2.8	14.0
Median, All Establishments	$ .79	9.8%	7.7%	8.4%

[1]Total sales divided by total assets.
[2]Ratio of net income before income tax or (loss) to total sales.
[3]Turnover times earnings ratio — all figures are computed.
*All figures are medians.

Exhibit 9
Return on Investment*

	Return on Invested Capital[1]	Return on Equity[2]
Age		
Built Pre-1940	9.2%	14.7%
1940-1959	11.0	7.9
1960-1969	7.1	21.1
1970s	13.0	14.7
Size		
Under 150 Rooms	9.8%	11.6%
150-299	8.1	29.3
300-600	13.0	11.2
Over 600	18.1	**
Occupancy		
Under 50%	(16.9)%	**
50-59%	15.4	19.9
60-69%	11.0	14.1
70-79%	10.7	16.9
80% & Over	17.1	29.3
Restaurant Not Operated	20.2%	**
Restaurant Operated — Total Food & Beverage Sales Ratio to Room Sales		
Under 50% of Room Sales	12.1%	**
50-74%	15.3	23.6
75-99%	8.5	8.3
100% & Over	10.6	13.8
Median, All Establishments — 1980	11.2%	19.1%
Median, All Establishments — 1979	11.1%	15.5%

[1]Ratio of net income after income tax, but before interest, to total interest bearing debt and equity.
[2]Ratio of net income after income tax to stockholders' equity.
*All figures are medians.
**Insufficient response.

est-bearing debt plus equity) and stockholders' equity are shown in Exhibit 9 for selected groups and for all establishments that provided us with sufficient details.

Comparison of the various performance measurements for independent properties and those affiliated with a chain are shown in Exhibit 10. The results of an analysis of the variances between the two groups was mixed. The chain-affiliated properties achieved a much higher occupancy rate but the independents were able to attain higher double occupancies and average rates. Since the average rate was only slightly lower for the chain affil-

iated properties than for the independents and the occupancy rate was more than 7 points higher, the chain-affiliated properties were able to generate $16,244 in total sales per room, well in excess of the $14,234 in total sales per room for the independents. Most of the expense items were also higher in the chain-affiliated properties; but, because of their higher revenue, these establishments still earned a much higher income as an amount per room and as a ratio to total sales. However, because of a much higher ratio of total sales to total assets, the independents achieved a superior return on total assets.

Exhibit 10
Independent and Chain Affiliated*

	Independent	Chain-Affiliated	Independent Differs By
Occupancy	63.4%	70.8%	(10.5)%
Double Occupancy	42.8	35.0	22.3
Average Rate	$ 38.79	$ 37.93	2.3
Amount Per Available Room			
Sales			
Rooms	$ 8951	$ 9662	(7.4)
Food	4084	3441	18.7
Beverage	1830	1766	3.6
Other	1635	1268	28.9
Total Sales	$14,234	$16,244	(12.4)
Payroll & Related Expenses	4378	4974	(12.0)
Undistributed Expenses (Excluding Payroll)			
Administrative & General	1018	1080	(5.7)
Marketing	458	551	(16.9)
Energy Costs	816	788	3.6
Property Operation & Maintenance	546	465	17.4
Income Before Fixed Charges	3514	4509	(22.1)
Fixed Charges	2828	2650	6.7
Net Income (Loss) Before Income Tax	$ 1236	$ 1444	(14.4)
Number of Times Rate Was Earned	100	119	(16.0)
Net Cost of Operation Per Dollar of Average Room Rate	$ 132	$ 140	(5.7)
Ratio of Income Before Fixed Charges to:			
Room Sales	43.4%	45.5%	(4.6)
Total Sales	26.8	27.6	(2.9)
Cost of Food Sales (After Credit for Employees' Meals)	36.7¢	35.3¢	4.0
Cost of Beverage Sales	23.7¢	21.9¢	8.2
Food and Beverage Departmental Income Ratio to Room Sales	7.2%	10.6%	(32.1)
Productivity Index			
Food & Beverage	2.507	2.534	(1.1)
Total	3.237	3.148	2.8
Balance Sheet Ratios			
Current Position	$ .94	$ 1.00	(6.0)
Accounts Receivable Ratio to Total Sales	4.6%	4.1%	12.2
Food Inventory Turnover	28	28	—
Beverage Inventory Turnover	6	8	(25.0)
Ratio of Total Sales to Total Assets	106.6%	77.4%	37.7%
Ratio of Net Income Before Income Taxes to Total Sales	8.1%	10.1%	(19.8)%
Return on Total Assets	8.6%	7.8%	10.3%

*All figures are medians.

Significant performance measurements for the sample broken down by location in relation to major markets are shown in Exhibit 11. Occupancy was highest for the airport and resort properties, which succeeded in boosting occupancy rates during 1980. Average rates were higher for each of the location groups with the largest increase coming from airport properties, up more than 20 percent from the 1979 level, and the smallest increase coming from the resort properties, up less than 1 percent. Although payroll and related expenses and other operating expenses also increased, income before fixed charges was higher in all locations except for suburban properties. Fixed charges varied slightly from 1979, so that net income, while generally higher, declined in the airport, suburban and resort properties.

Analysis of sales

The departmental profits contributed by the various income producing departments vary considerably in relation to sales, with rooms generally being the most productive in total amount while rentals and other income generates the highest margin. For that reason, it is advisable when making comparisons to seek the groups that are most like your operation

Exhibit 11
Comparison of Data by Location*

	Center City		Airport		Suburban		Highway		Resort	
	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979
Occupancy	67.0%	70.9%	74.3%	78.2%	68.7%	72.7%	71.6%	67.6%	72.7%	68.5%
Double Occupancy	38.2	34.8	23.3	22.4	24.1	31.0	27.6	34.6	77.5	89.4
Average Rate	$ 43.53	$ 36.08	$ 38.51	$ 31.44	$ 34.42	$ 30.44	$ 30.68	$27.16	$ 39.97	$ 39.77
Amount Per Available Room										
Sales										
Rooms	$10.256	$ 9076	$10.176	$ 9310	$ 9029	$ 8432	$ 7738	$ 6465	$10.868	$10.608
Food	4054	3849	3269	2698	2893	2965	2956	2132	4764	4171
Beverage	1733	1502	1480	1366	1886	1542	1566	1061	1937	1736
Other	1091	922	1592	568	1054	504	1047	399	968	1095
Total Sales	$17.535	$16.313	$15.048	$13.114	$13.458	$13.052	$10.553	$ 9783	$19.129	$17.135
Payroll & Related Expenses	6865	6373	4943	3900	4022	3706	3371	3059	5299	4231
Undistributed Expenses (Excluding Payroll)										
Administrative & General	1127	1190	1033	1093	1033	881	797	855	907	1013
Marketing	581	549	578	418	551	406	530	413	537	676
Energy Costs	914	692	704	540	750	646	662	578	816	780
Property Operation & Maintenance	504	454	556	402	449	348	374	345	503	546
Income Before Fixed Charges	4657	3639	4694	4621	4068	4087	3800	2594	5259	4906
Fixed Charges	2446	2510	3151	2218	2789	2308	2278	2040	2827	3172
Net Income (Loss) Before Income Tax	$ 1522	$ 1192	$ 1441	$ 1812	$ 651	$ 1354	$ 2007	$ 545	$ 2021	$ 2128
Number of Times Rate Was Earned	104	104	131	145	117	117	118	100	129	131
Net Cost of Operation Per Dollar of Average Room Rate	$ 143	$ 151	$ 129	$ 149	$ 137	$ 143	$ 130	$ 143	$ 142	$ 143
Ratio of Income Before Fixed Charges to:										
Room Sales	41.1%	41.7%	48.2%	47.4%	44.7%	47.0%	49.5%	41.5%	49.6%	52.2%
Total Sales	25.1	24.7	30.3	31.0	28.6	29.6	30.8	25.5	28.3	31.2
Cost of Food Sales (After Credit For Employees' Meals)	34.4¢	33.9¢	35.2¢	35.6¢	36.6¢	35.9¢	39.0¢	37.2¢	34.1¢	35.4¢
Cost of Beverage Sales	22.3¢	22.4¢	19.9¢	21.6¢	21.3¢	21.9¢	24.1¢	22.6¢	21.7¢	21.9¢
Departmental Income Ratio to Room Sales	8.1%	8.9%	11.0%	10.7%	10.7%	11.4%	10.6%	9.3%	11.1%	10.7%
Productivity Index										
Food & Beverage	2.185	2.900	3.364	2.503	2.684	2.546	2.779	2.622	2.603	2.897
Total	2.858	2.252	2.635	3.316	3.314	3.360	3.491	3.261	3.209	3.411
Balance Sheet Ratios										
Current Position	$ 1.09	$ 1.09	$ 57	$ 84	$ 97	$ 98	$ .70	$ 72	$ 1.13	$ 93
Accounts Receivable Ratio to Total Sales	4.7%	5.1%	4.2%	3.3%	3.1%	3.3%	3.5%	1.9%	3.7%	4.0%
Food Inventory Turnover	28	30	31	31	29	34	34	26	27	24
Beverage Inventory Turnover	8	8	10	9	10	11	13	13	6	7
Ratio of Total Sales to Total Assets	88.3%	138.1%	106.2%	92.9%	65.7%	79.2%	84.9%	85.3%	66.6%	89.1%
Ratio of Net Income Before Income Taxes To Total Sales	8.3%	8.6%	10.1%	14.8%	5.3%	10.0%	16.1%	5.2%	10.6%	11.9%
Return on Total Assets	7.3%	11.9%	10.7%	13.7%	3.5%	7.9%	13.7%	4.4%	7.1%	10.6%

*All figures are medians.

in composition of sales. The breakdown for selected categories is shown in Exhibit 12, based on the arithmetic means in order to establish absolute values.

Exhibit 13 presents a breakdown of department sales per guest stay. Center city and resort proper-

Exhibit 12
Composition of Sales*

	Age				Size				Location	
	Built Pre-1940	1940-1959	1960-1969	1970s	Under 150 Rooms	150-299	300-600	Over 600 Rooms	Center City	Airport
Rooms	58.2%	56.7%	57.6%	60.7%	56.9%	60.3%	57.5%	58.2%	60.3%	59.2%
Food	25.7	23.0	26.5	22.8	26.2	22.8	25.3	25.1	24.0	23.8
Beverage	8.6	8.7	10.6	10.4	12.9	10.6	10.0	8.8	9.5	11.5
Telephone	2.3	2.2	2.4	2.7	2.2	2.6	2.4	2.3	2.8	2.6
Minor Operated Departments	3.1	6.9	1.8	1.8	.9	2.1	2.6	3.0	1.9	1.6
Rentals & Other Income	2.1	2.5	1.1	1.6	.9	1.6	2.2	2.6	1.5	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.
**Data for these properties were excluded from all other categories.

Exhibit 13
Sales Per Guest Stay*

	Location					Market		Those Reporting	
	Center City	Airport	Suburban	Highway	Resort	Convention	Other	Net Income	Net Loss
Rooms	$108.60	$60.54	$ 53.56	$26.01	$104.28	$118.42	$ 54.61	$ 80.91	$ 53.58
Food	43.45	24.63	22.85	13.13	57.74	77.26	22.72	36.39	22.47
Beverage	17.17	11.66	10.40	6.18	18.66	25.22	10.42	14.49	10.54
Telephone	5.05	2.87	2.57	1.12	2.95	3.68	2.68	3.54	2.44
Minor Operated Departments	3.84	1.47	1.08	.50	16.44	19.17	3.61	4.18	3.46
Rentals & Other Income	1.82	.54	.81	.41	2.11	3.96	.59	1.39	1.26
Total	$179.93	$101.71	$ 91.22	$47.35	$202.18	$247.71	$ 94.63	$140.90	$ 93.75
Operating Expenses Per Guest Stay	$157.79	$ 94.46	$ 84.85	$40.41	$184.98	$203.34	$ 84.23	$118.38	$101.60
Average Stay (Days)	2.8	1.8	1.7	1.1	3.2	3.1	1.7	2.3	1.8

*Based on arithmetic mean.

ties brought in the largest amounts per guest stay primarily because of their longer average stay. In addition, these properties utilized the telephone and minor operated departments to a greater extent than the other groups.

The relative significance of the telephone depart-

Location			Restaurant Operated					Reporting	
			Restaurant	Total Food & Beverge Sales Ratio to Room Sales					
Suburban	Highway	Resort	Not Operated**	Under 50%	50-74%	75-99%	100% & Over	Net Income	Net Loss
58.1%	55.8%	57.6%	89.9%	68.1%	58.0%	49.6%	40.6%	59.3%	56.0%
24.4	26.8	23.6	—	18.0	25.4	29.5	35.3	24.1	25.1
10.3	11.9	10.1	—	7.5	10.6	12.7	14.6	10.0	11.7
2.7	2.2	1.9	3.8	2.9	2.5	2.0	1.7	2.4	2.4
1.5	1.7	4.2	3.3	1.9	1.4	4.1	5.3	2.3	2.6
3.0	1.6	2.6	3.0	1.6	2.1	2.1	2.5	1.9	2.0
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

ment, minor operated departments, and rentals and other income is shown in Exhibit 14. The telephone department, contributing from 2 to 3 percent of total sales, failed to produce revenue adequate to offset the cost of calls and rental of equipment in all of the groups.

Properties catering to conventions and those with more than 600 rooms received significant income from the minor operated departments, and in most groups this department contributed income to cover fixed expenses and other undistributed expenses.

Occupancies and average rates

The medians of room occupancy, double occupancy and average room rate for 1980 are shown in

Exhibit 14
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios To Sales*

	Size				Location					Market	
	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Telephone											
Sales	$327	$398	$ 513	$ 583	$ 490	$457	$402	$344	$ 358	$ 483	$421
Cost of Sales											
Cost of Calls	271	342	410	468	410	362	323	314	274	402	371
Equipment Rental	99	96	107	145	116	66	84	86	101	98	62
Total	332	417	511	575	520	413	380	368	386	552	430
Payroll & Related Expenses	87	124	153	161	153	130	138	98	134	175	139
All Other Expenses	3	3	3	4	4	2	2	2	3	2	6
Total Costs & Expenses	336	448	641	786	647	421	397	377	431	769	472
Net Departmental Income or (Loss)	$ (21)	$ (63)	$(128)	$(201)	$(151)	$ (51)	$ (31)	$ (63)	$(106)	$(174)	$ (49)
Ratio To Total Sales											
Sales	3.1%	2.7%	2.5%	2.5%	2.7%	2.9%	2.7%	2.7%	2.2%	1.7%	2.6%
Cost of Sales	3.2	2.8	2.5	2.6	2.8	2.6	2.7	3.1	2.2	2.0	2.6
Payroll & Related Expenses	.7	.6	.7	.7	.7	.6	.5	.5	.6	.8	.6
Minor Operated Departments											
Sales	$ 55	$ 142	$ 296	$ 503	$ 252	$ 91	$ 81	$117	$ 155	$ 641	$218
Cost of Sales	34	113	108	55	55	63	77	80	136	256	144
Payroll & Related Expenses	98	122	121	105	138	83	103	109	116	478	163
Other Expenses	50	46	14	18	19	12	42	51	55	205	20
Total Costs & Expenses	138	172	209	239	182	104	130	189	187	380	165
Net Departmental Income	$ (80)	$ 4	$ 19	$ 96	$ 21	$ 6	$(81)	$(10)	$ (1)	$ 261	$ 41
Ratio To Total Sales											
Sales	.5%	.9%	1.5%	1.9%	1.3%	.5%	.5%	.9%	1.0%	2.3%	1.4%
Cost of Sales	.3	.6	.5	.3	.3	.7	.5	.6	.6	1.1	.6
Payroll & Related Expenses	1.0	1.0	.5	.4	.8	.4	.8	.9	1.1	1.6	.8
Rentals & Other Income											
Space Rentals	$ 248	$ 70	$ 75	$ 227	$ 100	$ 78	$ 62	$164	$ 174	$ 70	$ 65
Concessions	3	30	39	49	28	30	29	23	56	111	25
Commissions	17	21	23	54	29	24	20	17	56	49	20
Other	48	54	89	92	55	89	76	38	182	86	74
Total Rentals & Other Income	$ 97	$128	$ 267	$ 516	$ 172	$171	$135	$114	$ 294	$ 519	$150
Ratio To Total Sales	.9%	.8%	1.3%	2.3%	1.0%	1.0%	.9%	.8%	1.6%	1.6%	.8%

*Based on those supplying detail.

Exhibit 15 for selected groups, together with comparative 1979 figures. Room occupancies were moderately lower for the year, dropping from 71.2 percent in 1979 to 70.4 percent in 1980. However, some of the newer properties and those located in the Southeast achieved higher occupancy levels during 1980. Overall, double occupancies increased slightly during the year for the contributors to our survey, but several groups reported declines in this measure. The average room rate increased more than 20 percent for the entire sample, substantially higher than the 11 percent increase in 1979. The average room rate was higher in nearly every category; the increase was particularly sharp in the Southeast and the larger properties.

Exhibit 15
Occupancy, Double Occupancy and Average Rate*

	Percentage of Occupancy		Percentage of Double Occupancy		Average Room Rate	
	1980	1979	1980	1979	1980	1979
Age						
Built Pre-1940	70.5%	72.0%	40.0%	30.7%	$49.17	$39.87
1940-1959	69.6	72.9	47.3	39.2	42.22	32.47
1960-1969	70.6	71.1	36.5	31.5	36.66	29.47
1970s	71.5	70.9	29.9	34.7	37.88	31.49
Size						
Under 150 Rooms	68.8%	68.0%	25.6%	35.3%	$29.18	$26.69
150-299	71.5	71.5	30.5	29.8	36.14	30.71
300-600	70.5	77.0	36.8	34.4	45.29	36.87
Over 600	69.1	69.6	40.6	37.0	56.90	43.10
Area						
Northeast	71.6%	75.4%	28.3%	30.4%	$41.88	$41.51
Southeast	71.7	67.8	49.4	42.5	40.78	28.69
North Central	65.0	69.3	33.6	28.7	36.97	29.63
South Central	69.7	70.9	30.9	35.3	31.48	29.14
West	76.1	77.7	37.6	40.0	43.74	33.69
Total Sales						
Less than $2,000,000	64.8%	64.4%	22.5%	35.6%	$28.59	$25.64
$2,000,000-$3,999,999	71.6	69.4	31.6	26.9	34.24	28.50
$4,000,000-$7,999,999	72.5	76.9	36.1	34.9	42.14	33.48
$8,000,000 & Over	71.6	75.2	39.9	34.8	56.90	43.68
Restaurant Not Operated	86.1%	77.7%	20.0%	29.7%	$24.97	$28.31
Restaurant Operated—Total Food & Beverage Sales Ratio To Room Sales						
Under 50% of Room Sales	71.4%	70.1%	31.7%	33.4%	$36.93	$28.81
50-74%	68.5	70.3	37.0	34.5	40.43	31.49
75-99%	68.4	75.5	33.0	33.5	41.45	36.42
100% & Over	65.7	70.3	42.3	40.0	41.91	34.97
Median, All Establishments	70.4%	71.2%	35.0%	34.4%	$37.67	$30.96

*All figures are medians.

Restaurant operations

The analysis of restaurant operations is displayed in Exhibits 16 to 18 (pages 43-47). The ratios to food and beverage sales for selected groups are shown in Exhibit 16; statistics of sales per room and per seat, and average receipt per guest and other measurements are presented in Exhibit 17. The major ingredients of operating cost, the cost of sales and cash payroll, sometimes called the "prime cost," are shown for the sample in Exhibit 18, broken down by volume of restaurant sales in relation to room sales.

Exhibit 16 contains the departmental ratios for operations with low and high food and beverage sales, low and high occupancy, those reporting net income and net loss, and those catering primarily to conventions. To produce a fair share of the overhead costs of operating the establishments, the restaurant department profit should be at least 25 percent of departmental sales. On that basis, the median amounts for those properties with food and beverage sales over 100 percent of room sales and those properties that cater to conventions were satisfactory, while it was well below this level for all other groups.

Sufficient information was again obtained from the contributors for a detailed analysis of sales per restaurant seat, average food check and similar statistics. The results are shown in Exhibit 17 for selected groups by size, by restaurant volume in relation to room sales, by location and for those catering primarily to conventions. A breakdown of room service sales per occupied room and per guest is also shown.

There are sharp differences between sales per room and sales per seat when the sample is broken down by size in that sales per room tend to increase as the size of the property increases but sales per seat fluctuates widely as the size increases. This is partly due to the smaller banquet facilities in properties with fewer than 300 rooms, since average banquet checks are significantly higher than the overall average. Although the smaller properties have more dining room seats per 100 rooms (85 versus 69 for the larger properties) they have fewer than 170 banquet seats per 100 rooms compared with more than 270 in the larger properties. Based on arithmetic means for each group, the number of seats per 100 rooms for all properties supplying the data and for those catering primarily to conventions compared as follows:

	Number of Seats Per 100 Rooms	
	All Establishments	Convention
Dining Room	75	109
Banquet	210	455
Bar/Lounge	134	60
Total	419	624

It is apparent that catering to conventions can require up to 40 percent more space than average for the food and beverage operation. By comparison, highway properties have fewer than 340 seats per available room, although more than 35 percent of that is in dining rooms and lounges where somewhat more space is required.

(Text continued on page 48)

Exhibit 16
Restaurant Operations—By Selected Criteria*

	Food & Beverage Sales Ratio to Room Sales		Occupancy		Establishments Reporting		Market
	Under 50%	100% & Over	Under 50%	80% & Over	Net Income	Net Loss	Convention
Sales							
Food	70.7%	73.7%	73.1%	73.1%	71.4%	68.1%	74.2%
Beverage	30.0	26.3	27.4	27.2	28.8	32.0	25.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales							
Cost of Food Consumed	38.9%	38.7%	42.0%	35.9%	37.7%	41.4%	37.7%
Less Cost of Employees' Meals	(2.6)	(2.7)	(2.6)	(3.3)	(2.8)	(3.2)	(3.3)
Cost of Food Sold	36.0%	37.2%	39.8%	33.2%	34.9%	38.7%	34.1%
Cost of Beverages Sold	22.7	23.0	24.7	21.3	21.4	23.8	22.0
Total Cost of Sales	32.0%	33.4%	35.0%	29.7%	31.1%	33.4%	30.5%
Gross Profit	68.0%	66.6%	65.0%	70.3%	68.9%	66.6%	69.5%
Public Room Sales	3.1	2.0	2.8	2.5	2.6	2.9	.7
Other Income	.4	.3	.3	.8	.5	.4	1.1
Total	71.5%	67.9%	67.1%	72.6%	71.6%	69.2%	71.4%
Departmental Expenses							
Payroll & Related Expenses	43.2%	32.4%	47.3%	40.6%	38.5%	42.9%	37.1%
China, Glassware, Silver & Linen	1.7	.9	1.5	1.6	1.7	1.6	1.9
Contract Cleaning	.6	.6	.7	.2	.4	.3	.2
Kitchen Fuel	.5	.1	.4	.3	.4	.4	.3
Laundry & Dry Cleaning	.9	1.0	.9	1.0	.9	.8	.9
Licenses	.3	.1	.3	.1	.1	.2	.1
Music & Entertainment	3.3	3.1	3.6	2.7	2.8	4.8	2.1
Operating Supplies	2.4	2.5	2.7	2.1	2.2	2.8	1.2
Other Operating Expenses	1.0	1.1	1.4	.8	1.0	1.2	1.5
Uniforms	.4	.3	.4	.4	.4	.4	.5
All Other Expenses	1.1	.4	.6	1.4	1.0	1.1	1.1
Total	57.3%	41.5%	58.4%	51.9%	51.3%	56.8%	48.5%
Departmental Income	13.3%	27.0%	6.3%	21.2%	20.6%	11.4%	25.0%
Productivity Index	2.314	3.083	2.115	2.462	2.597	2.329	2.697

*All figures are medians and do not necessarily add to totals shown.

Exhibit 17
Food and Beverage Statistics—By Selected Criteria*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Under 50%	50-74%
Food Sales—By Facility						
Amount Per Available Room						
Dining Room	$1970	$2682	$3010	$3038	$1952	$3005
Room Service	150	263	330	482	283	322
Banquet	**	1161	1751	2287	567	2056
Bar/Lounge	32	70	93	35	85	41
Total	$2263	$3056	$5088	$6448	$2459	$4183
Ratio to Total Food Sales						
Dining Room	77.6%	66.1%	56.6%	52.5%	71.5%	57.4%
Room Service	3.2	5.7	6.0	7.3	8.5	6.8
Banquet	22.4	28.2	34.9	39.1	22.4	36.9
Bar/Lounge	6	2.5	2.0	.4	2.9	1.0
Amount Per Seat						
Dining Room	$2898	$3805	$5434	$4979	$3651	$4629
Banquet	587	620	620	613	510	715
Bar/Lounge	444	115	182	168	154	80
Total	$1898	$1081	$1483	$1715	$1061	$1462
Average Check						
Dining Room	$ 4.47	$ 5.75	$ 5.46	$ 5.67	$ 4.57	$ 5.71
Room Service	**	5.10	5.92	7.35	5.74	7.10
Banquet	6.43	8.85	9.73	14.98	9.20	10.90
Total	**	$ 6.51	$ 6.43	$ 7.75	$ 6.13	$ 6.96
Covers Served Per Seat						
Dining Room	671	692	621	895	541	678
Banquet	80	79	88	54	70	81
Room Service Sales						
Per Occupied Room						
Food	$ .53	$ 1.01	$ 1.20	$ 1.84	$ 1.12	$ 1.26
Beverage	18	19	31	.90	.28	.46
Total	$ .38	$ 1.12	$ 1.50	$ 2.78	$ 1.32	$ 1.59
Per Guest						
Food	$ .55	$ .90	$ .91	$ 1.18	$ .87	$ 1.00
Beverage	13	15	19	.63	.19	.34
Total	$ .67	$ 1.01	$ 1.15	$ 1.89	$ 1.08	$ 1.27

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75-99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$4012	$6010	$2465	$2344	$3420	$2176	$3939	$3735
318	410	319	277	389	246	277	595
2192	3584	1683	1149	1865	704	1286	2845
94	415	58	85	54	66	75	18
$5993	$8837	$4045	$3269	$2893	$2956	$4764	$8910
58.7%	66.5%	57.4%	66.1%	58.6%	72.6%	61.9%	49.7%
4.9	4.3	7.2	5.4	7.0	3.4	4.8	6.5
36.2	31.5	34.8	29.0	35.7	27.4	27.9	43.6
1.6	3.9	1.7	3.1	1.0	1.9	1.6	.2
$4391	$3807	$4390	$5374	$2916	$3643	$4085	$5889
637	703	557	519	879	620	583	622
151	768	126	265	80	22	115	27
$1437	$1213	$1200	$1535	$1272	$ 993	$1794	$1157
$ 6.00	$ 6.10	$ 5.22	$ 6.36	$ 5.40	$ 4.15	$ 6.00	$ 6.86
5.36	5.11	5.94	6.02	5.72	4.85	6.64	7.95
9.74	9.81	10.48	10.49	8.93	6.00	10.28	13.12
$ 6.49	$ 7.71	$ 6.88	$ 6.64	$ 6.68	$ 8.58	$ 6.46	$ 9.54
731	658	734	832	560	661	528	578
75	66	65	55	123	54	80	55
$ 1.28	$ 1.56	$ 1.26	$ .98	$ 1.43	$ .89	$ .99	$ 2.42
.27	.45	.40	.21	.46	.23	.26	1.20
$ 1.48	$ 2.00	$ 1.55	$ 1.27	$ 1.77	$ 1.04	$ 1.31	$ 3.68
$ .97	$ 1.27	$ .94	$ .86	$ 1.14	$ .88	$ .77	$ 1.50
.19	.36	.31	.17	.23	.19	.08	.47
$ 1.06	$ 1.63	$ 1.21	$ 1.06	$ 1.35	$ .99	$ .54	$ 1.97

(Continued on next page)

Exhibit 17 (continued)*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Under 50%	50-74%
Beverage Sales — By Facility						
Amount Per Available Room						
Dining Room	$ 249	$ 449	$ 637	$ 630	$ 265	$ 638
Room Service	52	53	79	237	69	112
Banquet	245	380	497	602	154	530
Bar/Lounge	774	1211	978	525	586	1064
Total	$1242	$1616	$2122	$2281	$1120	$2049
Ratio to Beverage Sales						
Dining Room	17.0%	23.3%	24.5%	29.8%	24.8%	22.7%
Room Service	1.9	2.6	3.8	9.3	5.3	4.0
Banquet	13.1	18.0	23.0	26.1	15.4	24.8
Bar/Lounge	74.9%	63.9%	51.1%	29.9%	62.0%	48.3%
Ratio to Food Sales						
Dining Room	12.3%	15.4%	17.9%	19.7%	14.6%	16.5%
Room Service	23.1	19.0	22.3	40.9	22.6	29.0
Banquet	24.3	26.4	23.5	25.3	22.6	25.4
Total (including Ba./Lounge)	54.6%	43.8%	38.5%	36.9%	42.6%	41.6%
Amount Per Seat						
Dining Room	$ 425	$ 442	$ 858	$ 726	$ 422	$ 839
Banquet	154	150	164	134	98	207
Bar/Lounge	2353	2670	2835	1953	2544	2379
Total	$ 475	$ 587	$ 681	$ 472	$ 475	$ 587

*All figures are medians and do not necessarily add to totals shown.

Exhibit 18
Restaurant Operations—Cost of Sales and Cash Payroll*

Food & Beverage Sales Ratio to Room Sales	Cost of Sales & Cash Payroll		Increase (Decrease)
	1980	1979	
Under 50%	67.2%	69.5%	(3.3)%
50-74%	62.3	62.9	(1.0)
75-99%	61.0	59.1	3.2
100% & Over	61.0	59.7	2.2

*Based on arithmetic mean.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75–99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$ 611	$1228	$ 525	$ 323	$ 626	$ 547	$ 537	$ 665
65	118	86	61	114	58	55	294
588	977	422	280	741	590	614	926
1347	1764	624	1002	1169	884	1110	922
$2709	$3598	$1733	$1480	$1886	$1566	$1937	$3153
24.8%	26.3%	26.3%	22.6%	18.8%	21.4%	25.3%	28.3%
2.8	2.9	5.1	2.9	4.3	1.7	2.9	9.7
22.0	24.0	22.4	16.4	26.1	20.5	22.1	31.5
52.7%	45.1%	48.0%	60.8%	59.6%	80.1%	50.9%	26.6%
16.6%	17.3%	20.3%	13.3%	16.1%	16.6%	13.1%	16.2%
20.6	28.4	27.7	23.7	21.8	19.0	27.0	45.3
25.3	29.0	24.6	22.5	26.4	24.7	26.4	25.2
41.5%	35.8%	40.1%	42.2%	51.9%	44.9%	37.2%	34.9%
$ 533	$ 763	$ 810	$1348	$ 415	$1390	$ 464	$ 774
133	189	129	84	237	157	213	165
2491	2835	2361	3487	2169	2765	2114	1705
$ 643	$ 579	$ 462	$ 691	$ 586	$ 514	$ 526	$ 331

Payroll and related expenses

An analysis of the available information on staffing levels per 100 available and per 100 occupied rooms, and sales per employee is shown in Exhibit 19. The medians and quartiles were determined for those properties reporting the number of employees in the departments listed, so that the detail does not add to the totals shown. The number of employees represents full-time equivalents, that is, the number of hours worked has been divided by the standard work hours to obtain the number of employees in each position.

The sales per departmental employee is one measure of employee productivity and also supplies a test of staffing levels when unusual circumstances affect the composition of sales.

Exhibit 20 (page 50) shows cash payroll, employee benefits and employment statistics for those properties providing the data in each of the size groups, for the median and high occupancy groups, for those with low and high restaurant volume, and for those reporting net income and net loss. Payroll per room and per employee generally increased as the size of the property increased, but sales per employee increased proportionately, leaving the productivity index relatively unchanged. This pattern is also evident when analyzed by occupancy, restaurant volume and profitability whereby the more successful establishments achieved slightly higher productivity, even though payroll costs tended to be significantly more. The productivity index, which is computed by dividing total sales by total payroll and related expenses, was moderately higher for the properties in our survey during 1980 than in 1979.

(Text continued on page 52)

Exhibit 19
Staffing Levels and Employee Productivity—All Establishments*

	Number of Employees Per 100 Available Rooms			Number of Employees Per 100 Occupied Rooms		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
1) Staffing Levels (Full-Time Equivalent Employees)						
Rooms	14.6	19.9	26.0	21.3	26.3	35.1
Food & Beverage	19.7	31.1	46.5	29.7	41.1	62.0
Telephone	.9	1.4	1.8	1.3	2.0	2.5
Minor Operated Departments	.7	2.3	3.9	1.1	3.2	5.4
Administrative & General	3.1	4.5	7.2	4.7	7.0	10.1
Marketing—Sales	1.0	1.5	2.1	1.4	2.1	2.9
Marketing—Other	.6	1.3	2.1	.8	2.1	3.1
Property Operation & Maintenance	2.2	3.1	3.9	3.2	4.2	5.4
Personnel	.2	.4	.8	.4	.5	.9
House Laundry	1.6	2.2	3.4	2.2	3.3	4.8
Other	.7	2.0	2.7	.9	2.6	3.8
2) Total Employment—Full-Time Equivalent Employees	43.6	61.6	84.1	63.6	86.4	114.1
3) Employee Productivity—Sales Per Full-Time Employee						
Rooms	$48,246	$65,614	$87,569			
Food & Beverage	19,617	24,642	34,403			
Telephone	35,981	48,196	66,165			
Minor Departments	16,462	29,855	46,979			
4) Total Sales Per Employee	$28,159	$34,753	$47,724			

*Based on those supplying detail. All figures are medians or quartiles and do not necessarily add to totals shown.

Exhibit 20
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics—By Selected Criteria*

	Size			
	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 2807	$ 3530	$ 5341	$ 6180
Total Payroll & Related Expenses	3418	4195	6973	8398
Employee Benefits— Ratio to Cash Payroll	18.2%	18.4%	24.1%	26.6%
Cost Per Employee				
Cash Payroll	$ 9237	$ 7993	$ 8933	$12,287
Total Payroll & Related Expenses	10,148	9997	11,441	15,977
Employment Statistics				
Sales Per Employee				
Rooms	$46,421	$57,542	$62,551	$87,529
Food & Beverage	15,702	22,279	22,778	35,040
Telephone	22,167	39,115	47,290	51,540
Minor Departments	20,484	21,929	33,221	38,676
Total Sales Per Employee	$29,760	$32,807	$34,043	$44,625
Productivity Index				
1980	3.453	3.270	3.000	2.964
1979	3.268	3.274	3.006	2.848
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	20.1	20.6	19.0	18.4
Food & Beverage	40.2	32.2	28.5	26.8
Telephone	2.5	1.7	1.4	1.3
Minor Departments	3.3	3.3	1.8	.7
Administrative & General	5.6	4.1	4.5	5.2
Marketing—Sales	2.0	1.5	1.6	1.4
Marketing—Other	**	1.7	1.5	.8
Property Operation & Maintenance	3.9	3.1	2.9	3.0
Personnel	**	.4	.4	.3
House Laundry	**	2.3	2.3	2.0
Total	35.6	65.1	61.5	56.6

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Occupancy		Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales		Those Reporting	
60-69%	Over 80%	50-74%	100% or More	Net Income	Net Loss
$ 3795	$ 6327	$ 4555	$ 7393	$ 4323	$ 3499
4411	8187	5860	9178	5374	4368
19.5%	24.6%	22.2%	15.9%	20.2%	19.3%
$ 8385	$10,406	$10,057	$ 6854	$ 9699	$ 8292
10,688	13,719	13,719	7987	12,762	10,658
$61,543	$70,177	$76,718	$47,308	$68,205	$51,186
22,591	25,938	29,546	21,144	26,953	19,750
43,713	53,835	51,404	36,650	30,372	37,413
28,882	29,339	22,820	45,789	50,745	36,780
$31,517	$41,401	$37,628	$25,131	$37,427	$27,312
3.206	3.511	3.029	3.142	3.317	2.817
3.148	3.347	3.056	3.117	3.312	2.885
19.4	21.3	20.2	25.7	18.9	24.4
26.2	36.9	29.0	69.3	28.9	32.7
1.3	1.5	1.4	1.7	1.4	1.3
3.6	2.0	1.1	4.0	1.9	2.4
4.9	5.6	4.6	8.2	4.5	4.0
1.4	1.5	1.6	1.7	1.5	1.5
1.7	4	8	1.7	1.5	1.2
2.7	3.3	3.1	3.5	3.1	2.9
.5	.7	.4	.8	.3	.6
2.1	3.2	2.8	3.4	2.2	2.4
60.2	65.1	63.9	112.5	61.0	69.5

Departmental payroll and related expenses per occupied room per day at various levels of occupancy is shown in Exhibit 21. Except at the lowest occupancy level, rooms and food and beverage payroll tended to increase as occupancy increased. The payroll for most of the undistributed operating departments is relatively fixed and tends to decline as the occupancy goes up.

Other expenses

Operating expenses in the rooms department varied as the occupancy rate increased, ranging from a low of $8.77 per occupied room per day in those properties with occupancies between 50–59 percent to a high of $10.10 in those properties with occupancies over 80 percent. Exhibit 22 shows those expenses per occupied room per day at the various

Exhibit 21
Payroll and Related Expenses
Per Occupied Room Per Day*—By Occupancy

	Occupancy				
	Under 50%	50–59%	60–69%	70–79%	80% & Over
Rooms	$ 6.53	$ 6.05	$ 6.38	$ 6.62	$ 6.52
Food & Beverage	8.51	7.17	8.31	8.57	10.85
Telephone	.49	.52	.61	.54	.64
Minor Operated Departments	.51	.41	.61	.44	.32
Administrative & General	2.76	2.32	2.53	2.40	2.45
Marketing	1.20	1.13	.99	.90	.83
Property Operation & Maintenance	1.46	1.31	1.46	1.18	1.18
Personnel	.25	.24	.38	.17	.20
House Laundry	.47	.48	.57	.63	.83
Total	$18.90	$18.33	$19.81	$19.02	$21.40

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

occupancy levels. These expenses tended to rise faster at the lower occupancy levels, climbing in excess of 25 percent for the three groups with occupancies less than 70 percent.

Undistributed operating expenses

As an amount per room, each of the undistributed expenses were sharply higher in 1980 than in 1979. Administrative and general expenses exceeded last year's level by an average $400 per room while marketing, energy, and property operation and maintenance were up an average of $100 to $200 per room. As a ratio to total sales, administrative and general, marketing, and property operation and maintenance were relatively unchanged but energy costs tended to be slightly higher during 1980.

(Text continued on page 56)

Exhibit 22
Rooms Department Expenses
Per Occupied Room Per Day*—By Occupancy

	Occupancy				
	Under 50%	50-59%	60-69%	70-79%	80% & Over
Payroll & Related Expenses	$6.53	$6.05	$6.38	$6.62	$6.52
Commissions (including Travel Agents)	.06	.09	.20	.28	.48
Contract Cleaning	.07	.05	.09	.09	.09
Laundry & Dry Cleaning	.61	.54	.65	.67	.68
Linen	.34	.36	.39	.35	.37
Operating Supplies	.68	.63	.74	.71	.70
Other Operating Expenses	.38	.38	.43	.30	.21
Reservation Expense	.50	.47	.33	.36	.25
All Other Expenses	.07	.07	.07	.08	.07
Total—1980	$9.21	$8.77	$9.31	$9.01	$10.10
Total—1979	$7.36	$6.73	$7.23	$7.55	$8.32
Increase (Decrease)	25.1%	30.3%	28.8%	19.3%	21.4%

*All figures are medians and do not necessarily add to totals shown.

Exhibit 23
Analysis of Undistributed Operating Expenses—By Selected Criteria*

	Age				Size			
	Built Pre-1940	1940-1959	1960-1969	1970s	Under 150 Rooms	150-299	300-600	Over 600 Rooms
Administrative & General								
Cost Per Room								
Payroll & Related Expenses	$1159	$ 759	$ 579	$ 559	$ 368	$ 530	$ 904	$ 937
Other	1483	1132	1112	1056	740	951	1483	1343
Total—1980	$2593	$1852	$1719	$1679	$1108	$1577	$2402	$2354
Total—1979	2158	1493	1376	1451	1274	1328	1995	1968
Ratio to Room Sales—1980	20.9%	19.6%	19.0%	17.8%	13.7%	18.0%	20.2%	17.5%
Ratio to Room Sales—1979	19.4	16.9	18.5	18.1	19.4	17.7	18.9	18.1
Ratio to Total Sales—1980	11.5%	12.5%	10.7%	11.4%	11.2%	10.8%	11.9%	9.9%
Ratio to Total Sales—1979	11.1	11.0	11.5	11.3	12.8	11.2	11.4	9.8
Marketing								
Cost Per Room								
Payroll & Related Expenses	$ 278	$ 214	$ 235	$ 227	$ 148	$ 220	$ 287	$ 327
Other	761	476	539	595	468	539	657	645
Total—1980	$1038	$ 668	$ 735	$ 778	$ 472	$ 716	$ 944	$ 952
Total—1979	929	553	537	733	500	596	789	896
Ratio to Room Sales—1980	7.1%	7.9%	8.4%	8.1%	6.8%	8.2%	7.8%	7.2%
Ratio to Room Sales—1979	7.3	6.2	7.8	8.4	8.0	8.0	7.8	7.2
Ratio to Total Sales—1980	4.4%	4.5%	5.0%	5.3%	4.7%	5.1%	4.5%	4.3%
Ratio to Total Sales—1979	3.9	3.8	4.9	5.3	5.1	5.1	4.6	4.2
Energy Costs								
Cost Per Room—1980	$1048	$ 728	$ 811	$ 772	$ 633	$ 751	$ 904	$1078
Cost Per Room—1979	905	603	582	622	597	588	669	889
Ratio to Room Sales—1980	8.4%	8.6%	8.5%	8.0%	8.6%	8.7%	8.1%	7.4%
Ratio to Room Sales—1979	8.4	7.2	8.0	7.7	8.5	7.7	6.9	7.7
Ratio to Total Sales—1980	4.4%	4.7%	5.0%	5.0%	5.9%	5.2%	4.5%	4.4%
Ratio to Total Sales—1979	4.7	4.2	5.3	4.8	5.7	4.9	4.0	4.5
Property Operation & Maintenance								
Cost Per Room								
Payroll	$ 822	$ 511	$ 310	$ 306	$ 207	$ 290	$ 512	$ 753
Other	718	466	446	464	355	439	584	684
Total—1980	$1378	$1041	$ 766	$ 773	$ 569	$ 731	$1168	$1406
Total—1979	1292	1046	682	577	580	582	902	1213
Ratio to Room Sales—1980	10.6%	9.2%	9.7%	7.8%	7.9%	8.2%	9.2%	9.9%
Ratio to Room Sales—1979	12.0	11.5	9.2	7.8	8.9	7.9	9.1	11.0
Ratio to Total Sales—1980	6.2%	5.9%	5.5%	4.9%	5.7%	5.2%	5.4%	5.9%
Ratio to Total Sales—1979	6.6	6.7	5.9	4.7	5.7	5.3	5.0	5.8

*All figures are medians.

Occupancy					Restaurant Not Operated	Restaurant Operated Food and Beverage Sales Ratio to Room Sales			
Under 50%	50-59%	60-69%	70-79%	80% & Over		Under 50%	50-74%	75-99%	100% & Over
$ 424	$ 479	$ 591	$ 643	$ 758	$ 280	$ 517	$ 716	$ 794	$ 974
484	764	1056	1244	1148	792	918	1031	1363	1202
$ 879	$1450	$1680	$1821	$1883	$1106	$1451	$1788	$2087	$2190
975	1224	1325	1561	2014	1066	1256	1515	2060	2312
16.8%	19.0%	18.0%	17.9%	15.6%	13.3%	15.9%	18.6%	21.6%	23.4%
17.7	21.7	19.0	18.7	16.4	14.8	17.2	19.1	21.5	23.1
10.2%	11.4%	11.1%	10.5%	11.5%	12.2%	10.9%	10.6%	10.8%	9.1%
12.5	14.1	11.6	11.1	10.4	13.1	12.5	11.1	10.9	10.3
$ 203	$ 223	$ 233	$ 252	$ 251	$ 112	$ 191	$ 281	$ 305	$ 327
352	456	525	636	679	282	466	606	724	808
$ 523	$ 615	$ 732	$ 868	$ 801	$ 119	$ 652	$ 883	$1053	$1207
460	508	585	762	728	432	536	700	921	902
10.3%	9.3%	8.0%	7.7%	5.0%	1.6%	6.8%	8.5%	10.2%	11.0%
8.5	8.8	8.3	8.2	5.7	5.7	7.1	8.3	8.7	9.9
5.8%	5.8%	4.7%	4.8%	3.0%	1.5%	4.7%	4.8%	5.1%	4.7%
5.2	5.6	5.2	4.9	3.6	5.0	5.1	4.9	4.4	4.3
$ 614	$ 717	$ 800	$ 861	$ 722	$ 407	$ 720	$ 854	$ 999	$1220
464	507	620	642	709	486	535	645	875	983
13.0%	11.3%	8.6%	8.1%	6.1%	5.6%	8.0%	8.3%	9.6%	11.0%
11.7	9.4	8.8	7.6	6.5	6.8	7.3	8.3	7.7	9.8
8.3%	6.7%	5.2%	4.7%	4.1%	5.2%	5.4%	5.0%	4.7%	4.7%
6.5	5.9	5.5	4.5	4.0	6.2	5.3	4.8	3.9	4.4
$ 239	$ 272	$ 328	$ 326	$ 380	$ 157	$ 258	$ 424	$ 521	$ 451
297	395	447	552	581	322	419	528	607	725
$ 514	$ 712	$ 783	$ 943	$ 908	$ 459	$ 698	$ 994	$1095	$1193
368	547	635	760	871	482	567	715	971	1064
11.6%	10.5%	8.5%	8.5%	7.1%	6.0%	7.6%	9.4%	10.7%	11.8%
8.6	9.7	8.9	8.6	7.8	6.1	7.9	9.0	10.1	11.6
6.4%	5.8%	5.2%	5.3%	5.0%	5.3%	5.3%	5.4%	5.4%	4.6%
5.8	6.2	5.5	5.4	5.0	5.4	5.6	5.3	5.1	5.1

How management allocated the expense dollar in the marketing department is shown in Exhibit 24 for those properties that provided a detailed breakdown. In addition to showing the allocation for the entire sample, the exhibit presents the marketing dollar by location and for those establishments that cater primarily to conventions. In 1980, each dollar of expenditure for marketing, plus the cost of travel agents' commissions, and reservations expenses, generated $23.47 in total sales, up 15.2 percent from the 1979 amount. As expected, allocation of the marketing dollar varies depending on the source of business. Suburban and highway properties used outdoor advertising more heavily, while center city and resort operators relied on print media and other forms.

The range of amounts per room and ratio to total sales of management fees for 1980 are shown in Exhibit 25 for all the properties reporting such data. Comparisons with 1979 also are shown. The amounts at each interval were moderately lower in 1980, both as an amount per room (except for the upper quartile) and as a ratio to total sales. The median amount per room declined by 6.8 percent from the 1979 results.

Energy costs per occupied room per day for all establishments providing the detail and for the sample broken down by location are shown in Exhibit 26. After remaining fairly constant over the past two years, the daily cost of energy per occupied room jumped sharply in 1980, going up more than 30 percent from the 1979 level.

Exhibit 23 illustrates how older properties tend to spend considerably more on property operation and maintenance than newer properties when compared on an annual cost per available room basis. The allocation of these expenditures to the various expense categories in the different age groups is shown in Exhibit 27. The older properties, and especially those built 40 or more years ago, allocated about half of their total property operation and maintenance costs to payroll and related expenses. The newer properties allocated a larger share of their expenditures to furniture, grounds, and landscaping, and operating supplies.

Exhibit 24
How the Marketing Dollar Was Spent*

		Location					Market
	Mean, All Establishments	Center City	Airport	Suburban	Highway	Resort	Convention
Payroll & Related Expenses							
Sales	24.5%	28.5%	26.2%	23.3%	19.2%	22.8%	20.5%
Other	.8	.7	—	.7	.4	2.2	.6
Sales							
Travel & Entertainment	5.7	6.4	5.1	5.0	5.5	6.7	5.7
Other	3.4	4.8	4.2	2.7	1.2	3.8	3.2
Advertising							
Print	17.9	15.9	11.8	17.6	17.0	25.3	19.7
Radio & TV	4.2	3.6	1.8	5.4	4.7	4.9	2.1
Outdoor	8.6	5.3	4.1	12.0	16.5	5.9	8.0
Other	8.1	7.6	9.1	7.1	7.9	7.5	5.0
Merchandising	2.9	2.2	1.6	3.3	4.0	3.9	2.3
Public Relations & Publicity	2.9	2.8	3.1	3.1	2.5	3.5	4.8
Fees & Commissions							
Franchise Fees	8.1	7.8	15.1	8.5	7.8	4.0	15.3
Other	1.8	1.9	4.3	1.4	.7	1.7	2.0
All Other Selling & Promotion Expenses	11.1	12.3	13.6	9.9	12.6	7.8	10.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Marketing Cost Index	$23.47	$22.34	$20.21	$20.87	$25.11	$28.93	$18.97

*Based on those supplying detail.

Exhibit 25
Management Fees—All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Room			
1980	$334	$464	$816
1979	$352	$498	$713
Ratio to Total Sales			
1980	2.7%	3.1%	4.5%
1979	2.8%	3.4%	6.0%

Exhibit 26
Energy Costs Per Occupied Room Per Day*—By Location

	Mean, All Establishments	Location				
		Center City	Airport	Suburban	Highway	Resort
Fuel	$ .84	$ .88	$ .73	$ .76	$ .73	$1.01
Electricity	2.29	2.41	1.95	2.24	1.81	2.70
Water	.32	.31	.31	.27	.31	.37
Steam	.16	.45	.03	—	—	—
Subtotal	$3.61	$4.05	$3.02	$3.27	$2.85	$4.08
Credit For Sale of Energy	(.05)	(.07)	(.05)	(.06)	(.02)	(.03)
Net Cost						
1980	$3.56	$3.98	$2.97	$3.21	$2.83	$4.05
1979	$2.72	$3.24	$2.07	$2.67	$2.40	$3.36
Increase (Decrease)	30.9%	22.8%	43.5%	20.2%	17.9%	20.5%

*Based on arithmetic mean.

Exhibit 27
How the Property Operation and Maintenance Dollar Was Spent—By Age*

	Mean, All Establishments	Age			
		Built Pre-1940	1940-1959	1960-1969	1970s
Payroll & Related Expenses	43.2%	51.0%	47.1%	43.3%	41.2%
Building	6.4	5.2	5.2	5.7	6.6
Electrical & Mechanical Equipment	18.5	19.4	20.3	15.4	17.7
Furniture	3.3	2.8	4.0	3.5	3.7
Grounds & Landscaping	4.9	2.2	3.1	4.8	5.6
Operating Supplies	3.5	1.4	3.5	4.1	3.7
Painting & Decorating	3.9	6.5	3.6	3.1	3.1
Removal of Waste Matter	2.6	2.3	3.2	2.9	3.0
All Other Expenses	13.7	9.2	10.0	17.2	15.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Credit/collection data

For those properties supplying the information, a slightly larger percentage of guest accounts were settled with credit cards and cash in 1980 than in 1979. In 1979, 50 percent of guest accounts were settled with credit cards and 30.5 percent with cash. In 1980, 51.2 percent of the guests used credit cards and 33.5 percent used cash. The portion of credit card payments generated by travel agents or tour operators decreased during the year from 9 to 4.6 percent in 1980. Other credit sources, including the credit accounts of companies, such as the airlines (for their personnel and stranded travelers), remained relatively unchanged at 10.7 percent. The

Exhibit 28
Method of Payment For Services*

	Method of Payment			
	Cash	Credit Card	Travel Agent & Tour Operator	All Other Credit
Location				
Center City	33.7%	53.0%	3.8%	9.4%
Airport	32.4	52.8	6.1	8.7
Suburban	34.1	57.2	2.5	6.2
Highway	33.7	46.5	2.7	17.1
Resort	30.9	39.4	14.9	14.8
Size				
Under 150 Rooms	41.1%	52.6%	2.2%	4.1%
150-299	31.4	53.0	5.9	9.7
300-600	35.2	48.1	4.7	12.0
Over 600 Rooms	15.2	44.6	1.4	38.8
Rate**				
A	35.1%	51.0%	7.3%	6.6%
B	34.9	53.2	3.1	8.8
C	35.3	54.1	4.9	5.7
D	28.8	46.3	4.5	20.5
Restaurant Not Operated	54.3%	40.7%	5.0%	—
Restaurant Operated — Food & Beverage Sales Ratio to Room Sales				
Under 50%	29.7%	60.0%	5.7%	4.6%
50-74%	35.4	46.7	3.2	14.7
75-99%	31.3	48.4	5.4	14.9
100% & Over	28.5	46.1	2.9	22.5
Mean, All Establishments	33.5%	51.2%	4.6%	10.7%

*Based on arithmetic mean.
**See page 30.

analysis is shown in Exhibit 28. Credit card usage was higher in suburban, center city and airport properties.

Additional information on credit card usage is shown in Exhibit 29. The annual cost per occupied room for the various groups is shown together with the ratio to total sales and the comparable costs for 1979. The median annual cost per occupied room for all establishments rose by nearly 18 percent, but as a ratio to total sales, it remained unchanged at 1.1 percent. Properties located near airports reported the heaviest usage of credit cards as a ratio to total sales.

Exhibit 29
Credit Card Commissions—Annual Cost Per Occupied Room*

	Annual Cost Per Occupied Room			Ratio to Total Sales	
	1980	1979	Increase (Decrease)	1980	1979
Location					
Center City	$299	$284	5.3%	1.2%	1.2%
Airport	252	218	15.6	1.4	1.3
Suburban	241	200	20.5	1.1	1.0
Highway	184	156	17.9	1.1	1.1
Resort	231	238	(2.9)	.9	.9
Size					
Under 150 Rooms	$157	$156	.6	1.0%	1.0%
150-299	244	205	19.0	1.1	1.1
300-600	323	262	23.3	1.2	1.2
Over 600	375	325	15.4	1.1	1.1
Rate**					
A	$147	$119	23.5%	1.0%	1.0%
B	233	191	22.0	1.1	1.1
C	308	263	17.1	1.2	1.1
D	461	493	(6.5)	1.2	1.2
Occupancy					
Under 50%	$147	$151	(2.6)%	.8%	1.0%
50-59	183	156	17.3	1.1	1.0
60-69	273	206	32.5	1.1	1.1
70-79	274	213	28.6	1.2	1.1
80% & Over	244	242	.8	1.2	1.1
Restaurant Not Operated	$131	$127	3.1%	1.3%	1.1%
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales					
Under 50%	$233	$173	34.7%	1.2%	1.1%
50-74%	286	219	30.6	1.1	1.2
75-99%	298	273	9.2	1.0	1.0
100% & Over	379	297	27.6	1.0	1.1
Median, All Establishments	$250	$212	17.9%	1.1%	1.1%

*All figures are medians.
**See page 30.

Fixed charges

Fixed charges per available room and ratios to total sales are shown in Exhibit 30. Median amounts and ratios for the entire sample and for the age, size, area and location groups are shown since those criteria are most likely to influence the amount of rent, taxes, insurance, interest and depreciation expenses of the properties. The total of fixed charges per available room increased sharply during 1980 rising from $2,266 in 1979 to $2,640 in 1980. The increase in fixed charges per room was not as much as the increase in total sales since the ratio declined from 18.6 percent to 18.5 percent in 1980. As expected, fixed charges per room are lower in the older and smaller properties, those located in the

Exhibit 30
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Age				Size			
	Median, All Establishments	Built Pre-1940	1940-1959	1960-1969	1970s	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms
Amount Per Room									
Rent	$ 337	$60	$ 880	$ 707	$ 265	$ 210	$ 308	$ 594	$ 539
Property Taxes	352	518	469	360	383	265	356	497	620
Insurance on Buildings & Contents	72	59	57	67	93	74	86	68	53
Interest Expense	882	299	297	367	1373	385	1032	1691	563
Depreciation & Amortization	885	1159	870	878	963	725	947	1179	1329
Total Fixed Charges — 1980	$2640	$2113	$2233	$2177	$3095	$1902	$2828	$3530	$2446
Total Fixed Charges — 1979	$2266	$1734	$1627	$1726	$2583	$1890	$2421	$3036	$2526
Ratio to Total Sales — 1980	18.5%	9.7%	12.9%	16.6%	22.0%	18.3%	19.6%	18.7%	12.9%
Ratio to Total Sales — 1979	18.6%	12.3%	14.6%	18.7%	24.5%	20.0%	22.2%	20.2%	14.5%

*Based on those supplying detail. All figures are medians.

Exhibit 31
Balance Sheet Statistics
Liquidity Ratios—All Establishments*

	1980	1979
Current Position	$ .98	$ .92
Accounts Receivable		
Amount Per Room	$800	$489
Ratio to Total Sales	4.3%	3.4%
Number of Times Average Daily Sales	16	14
Food Inventory — End of Year		
Amount Per Room	$ 68	$ 59
Annual Turnover	28.4	30.0
Beverage Inventory — End of Year		
Amount Per Room	$ 49	$ 45
Annual Turnover	7.8	6.4

*Based on those supplying detail. All figures are medians.

South and those on highways.

Balance sheet statistics

The typical ratios used to measure liquidity, or the ability of a company to meet its current obligations, are shown in Exhibit 31 with comparable amounts and ratios for 1979. The current position improved moderately during the year, but accounts receivable, both as an amount per room and as a ratio to total sales, rose sharply. Food and beverage inventory as an amount per room also rose during the year. However, while beverage inventory turnover increased during 1980, food inventory turnover decreased.

Area					Location				
North-East	South-East	North Central	South Central	West	Center City	Airport	Suburban	Highway	Resort
$ 932	$ 623	$ 607	$ 123	$ 433	$ 394	$ 358	$ 266	$ 288	$ 454
606	445	368	270	351	490	344	359	272	429
59	82	82	66	72	56	111	87	75	61
1120	682	916	945	888	666	861	991	716	1125
993	929	891	777	967	1019	947	863	741	974
$3107	$2638	$2778	$2060	$2691	$2446	$2827	$2788	$2278	$3151
$2564	$2021	$2394	$1949	$2461	$2509	$2218	$2308	$2040	$3172
19.0%	15.8%	21.5%	18.0%	15.0%	14.4%	22.3%	21.2%	18.4%	16.6%
20.2%	17.8%	20.8%	19.9%	21.7%	16.3%	20.7%	22.1%	21.3%	24.1%

Exhibit 32 presents a pro forma balance sheet showing amounts per available room and ratios to total assets and total sales for those companies that provided sufficient detail. To establish absolute values, the weighted means were used for the calculations.

In general, the composition of the balance sheet shifted moderately with a larger percentage of the assets invested in fixed assets and a smaller portion in current assets. In addition, the portion of capital obtained from equity sources (retained earnings, owners' or stockholders' investments) contributed a smaller share of the investment in the hotel. Because the typical establishment covered by the analysis was built 10-20 years ago, the costs of the fixed assets cannot be considered current.

The analysis in Exhibit 33 was prepared from the companies that provided data on fixed assets and rents. Average rent per available room and ratios to total sales for companies that lease only the land is

Exhibit 32
Pro Forma Balance Sheet—All Establishments*

Assets	Amount Per Room	Ratio To Total Assets	Ratio To Total Sales
Current Assets			
Cash on Hand & in Banks	$ 609	2.5%	2.0%
Accounts Receivable—Net	659	2.8	2.2
Inventories	753	3.1	2.5
Prepaid Expenses & Other	223	.9	.7
Total Current Assets	$ 2244	9.3%	7.4%
Fixed Assets			
Land	$ 3246	13.6%	10.8%
Building	18,087	75.6	60.0
Furniture & Fixtures	4646	19.4	15.4
Operating Equipment	1590	6.6	5.2
Total	$27,569	115.2%	91.4%
Less Accumulated Depreciation	7643	31.9	25.3
Net Book Value	$19,926	83.3%	66.1%
Other Assets	1765	7.4	5.9
Total Assets	$23,935	100.0%	79.4%
Liabilities & Equity			
Current Liabilities			
Accounts Payable	$ 677	2.8%	2.2%
Accrued Liabilities	1351	5.6	4.4
Other Current Liabilities	526	2.2	1.7
Current Portion of Long-Term Debt	216	.9	.7
Total	$ 2770	11.5%	9.0%
Long-Term Debt	10,999	46.0	36.6
Other Liabilities—Including Amounts Due Affiliates	2371	9.9	7.9
Total Liabilities	$16,140	67.4%	53.5
Equity (Including Intercompany Net Worth)	7795	32.6	25.9
Total Liabilities & Equity	$23,935	100.0%	79.4%

*Based on those supplying detail. Based on arithmetic mean.

also shown. The companies that lease land also reported the cost of real estate taxes and fire insurance.

Summary

Median amounts per available room and ratios to total sales for the various groups are shown in the exhibits on pages 64-73.

In general, even though the occupancy rate declined from 71.2 percent in 1979 to 70.4 in 1980, increases in room rates, double occupancies and menu prices enabled management to stay ahead of the rapid increases in the cost of doing business. This was accomplished during a year in which the nation's economy remained relatively flat. This ability to maintain earnings as demand declined was one of the lodging industry's major attractions to investors during 1980. However, this improvement in profit margins came primarily from higher room rates that are now beginning to adversely affect occupancies.

During the first quarter of 1981, the occupancy rate dropped 3.9 percent below the same period in 1980, even though the economy experienced substantial real growth during this period. By the end of July 1981, the occupancy rate was off 2.6 percent from the same period last year. It is beginning to become evident that the rapid increases in room rates (and air fares) has encouraged travelers to seek alternatives to the traditional business meeting and vacation. While some of this shifting may have been a temporary response to the higher costs, there are a number of businesses that are proceeding with plans to permanently reduce travel time and cost. As a result, when the economy begins to rebound, the degree to which it will boost demand for rooms will be modified. In 1981, we expect the occupancy rate to fall about 2 to 2.5 percent below the 1980 level. In addition, room rates are expected to rise approximately 10 percent, only slightly above the current inflation rate. Because of these trends, it is highly doubtful at this time if operators will be able to improve profit margins much over 1980, but they should be able to at least maintain 1980 levels of profitability. ■

Exhibit 33
Cost of Fixed Assets* — All Establishments

	Wholly Owned	Land Only Leased
Amounts Per Room		
Land	$ 2891	—
Building & Improvements	12,718	$12,070
Furniture, Fixtures & Improvements	2599	3628
Operating Equipment	884	514
Total	$19,092	$16,212
Rent Per Available Room		$ 1669
Ratio to Total Sales		8.5%

*Based on those supplying detail. Based on arithmetic mean.

U.S. Lodging Industry—1980
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Age of Property			
Rooms	Built Pre-1940	Built 1940-1959	Built 1960-1969	Built in 1970s
Sales	$14517	$9436	$9111	$9847
Departmental Expenses				
Payroll & Related Expenses	2722	1859	1600	1564
Other	1148	825	599	573
Total	3570	2705	2087	2134
Departmental Income	10697	7156	7011	7765
Food & Beverage				
Sales				
Food	6823	4119	3144	3325
Beverage	1993	1347	1460	1886
Total	8822	5807	4512	5097
Cost of Sales				
Food	2104	1368	1232	1237
Beverage	423	330	313	408
Total	2584	1716	1510	1570
Gross Profit	6209	4091	3201	3616
Public Room Sales	321	90	126	160
Other Income	96	46	20	29
Gross Profit & Other Income	6740	4218	3320	3827
Departmental Expenses				
Payroll & Related Expenses	4423	2718	1740	1959
Other	951	601	648	756
Total	5401	3429	2554	2666
Departmental Income	1171	1118	964	892
Telephone Departmental Income	(273)	(121)	(100)	(61)
Net Income From Minor Operated Departments	8	27	8	9
Rentals & Other Income	425	275	119	138
Gross Income	12173	8798	8205	8866
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1159	759	579	559
Other	1483	1132	1112	1056
Total	2593	1852	1719	1680
Marketing	1038	668	735	778
Energy Costs	1048	728	811	772
Property Operation & Maintenance	1378	1041	766	773
Total Undistributed Expenses	6310	4623	3943	4214
Income Before Fixed Charges	6042	3826	4205	4603
Property Taxes & Insurance	577	526	427	476
Income Before Interest & Depreciation	$ 5043	$2372	$2432	$3373

*See page 30

Size of Property				Average Rate*			
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Group A	Group B	Group C	Group D
$7671	$9012	$11807	$14993	$6539	$8887	$11349	$15986
1273	1546	2025	2277	1175	1500	1845	2384
455	560	922	1136	411	559	817	1255
1768	2056	2941	3626	1627	2056	2668	3667
5871	6943	9120	11359	4908	6649	8698	12620
2263	3056	5088	6448	2239	2949	4672	7831
1242	1616	2122	2281	1029	1429	1852	2934
3343	4647	6999	8739	3081	4331	6445	10695
883	1173	1694	2014	840	1111	1620	2618
308	378	435	432	251	325	407	587
1127	1508	2135	2350	1059	1417	2032	3202
2203	3160	4872	6109	1966	2888	4482	7457
85	127	194	111	79	128	180	213
2	14	44	93	8	10	45	102
2265	3272	5004	6153	2016	2990	4690	7633
1467	1690	2884	3432	1261	1641	2819	4340
451	663	843	929	370	557	800	1133
1877	2444	3822	4385	1658	2248	3508	5507
435	956	1260	1285	497	708	1281	2378
(21)	(63)	(128)	(201)	(43)	(53)	(124)	(183)
(80)	4	19	96	(44)	5	16	99
97	128	267	516	115	117	152	439
6529	8145	10835	13073	5509	7567	10235	15296
368	530	904	937	355	528	781	1158
740	951	1483	1343	748	824	1188	1953
1108	1578	2402	2354	1103	1458	2108	3140
472	716	944	952	463	668	879	1229
633	751	904	1078	569	722	880	1224
569	731	1168	1406	554	692	1042	1497
2756	3797	5515	5968	2719	3551	5022	7093
3453	4267	5347	7143	2875	3814	5069	8132
339	442	565	673	313	408	573	767
$2669	$3014	$ 4338	$ 5224	$2176	$2708	$ 4215	$ 6338

U.S. Lodging Industry—1980
Ratios to Total Sales

Rooms	Age of Property			
	Built Pre-1940	Built 1940-1959	Built 1960-1969	Built in 1970s
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	18.8	18.0	16.6	16.6
Other	7.9	8.1	6.6	6.4
Total	26.7	25.4	24.9	22.8
Departmental Income	73.3	74.6	75.1	77.2
Ratio to Total Sales	41.2	41.7	45.2	47.8
Food & Beverage				
Sales				
Food	74.4	73.0	71.2	69.4
Beverage	25.6	27.0	29.2	31.0
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	33.9	34.4	35.4	36.6
Beverage	22.3	22.7	22.3	21.8
Total	31.4	30.9	32.3	31.6
Gross Profit	68.6	69.1	67.7	68.4
Public Room Sales	4.7	1.6	2.4	2.9
Other Income	1.2	.9	.4	.6
Gross Profit & Other Income	73.5	71.4	70.6	71.1
Departmental Expenses				
Payroll & Related Expenses	50.3	39.8	38.6	39.7
Other	11.7	9.7	11.6	12.2
Total	62.4	51.5	51.8	53.5
Departmental Income	13.1	20.8	18.8	18.2
Ratio to Total Sales	4.0	5.8	6.6	5.6
Telephone Departmental Income	(1.0)	(.8)	(.8)	(.4)
Net Income From Minor Operated Departments	N	.1	N	.1
Rentals & Other Income	1.5	1.2	.9	.8
Gross Income	48.5	50.5	51.8	55.3
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.7	4.4	3.8	3.7
Other	6.3	7.4	6.3	6.9
Total	11.5	12.5	10.7	11.4
Marketing	4.4	4.5	5.0	5.3
Energy Costs	4.4	4.7	5.0	5.0
Property Operation & Maintenance	6.2	5.9	5.5	4.9
Total Undistributed Expenses	25.8	26.5	27.0	26.6
Income Before Fixed Charges	24.0	24.2	26.8	28.2
Property Taxes & Insurance	2.2	2.7	3.3	3.3
Income Before Interest & Depreciation	20.8%	20.7%	15.3%	23.9%

*See page 30.
N-Negligible amount.

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Size of Property				Average Rate*			
Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Group A	Group B	Group C	Group D
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
17.9	16.9	16.3	16.4	18.6	17.7	16.5	15.5
6.3	6.4	8.0	8.1	6.4	6.6	6.8	7.6
24.2	23.3	24.9	24.5	25.0	24.4	23.8	23.3
75.8	76.7	75.1	75.5	75.0	75.6	76.3	76.7
51.4	47.1	43.6	43.3	48.1	48.7	43.3	43.8
65.6	69.7	72.5	73.1	68.1	69.7	71.7	72.1
36.2	30.6	27.8	27.0	32.7	31.2	28.4	27.9
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
38.5	36.9	34.9	32.3	38.4	37.5	34.4	33.1
23.3	22.6	21.7	19.7	24.7	22.1	21.3	20.4
33.4	32.1	31.3	29.4	34.0	32.3	30.8	29.8
66.6	67.9	68.7	70.6	66.0	67.7	69.2	70.2
2.1	2.8	2.9	1.6	2.5	3.0	2.7	2.0
.1	.3	.6	1.0	.2	.3	.7	1.0
68.7	70.6	71.9	73.2	68.2	70.8	72.8	72.2
40.5	37.3	42.3	43.3	39.4	38.0	43.2	39.5
12.5	12.7	11.3	10.8	12.5	12.8	11.8	10.7
56.0	50.6	54.0	53.0	54.0	52.8	53.7	51.5
12.6	20.0	19.1	20.0	16.7	17.9	19.3	20.7
3.8	6.5	6.2	6.7	4.4	5.1	6.6	7.8
(.2)	(.5)	(.6)	(.8)	(.4)	(.4)	(.6)	(.6)
(.9)	N	.1	.5	(.5)	N	.1	.2
.9	.8	1.3	2.3	1.2	.8	.9	1.5
56.7	55.0	52.1	53.3	53.8	55.2	52.5	53.5
3.5	3.6	4.2	4.0	3.6	3.7	4.4	4.0
7.7	6.4	7.2	5.8	7.7	6.6	6.9	6.4
11.2	10.8	11.9	9.9	11.3	10.8	11.5	10.6
4.7	5.1	4.5	4.3	4.9	5.1	4.8	4.4
5.9	5.2	4.5	4.4	5.9	5.4	4.7	4.3
5.7	5.2	5.4	5.9	5.7	5.3	5.3	5.2
26.0	26.4	26.6	25.0	26.8	27.0	26.8	24.8
31.4	27.8	26.8	27.8	28.6	28.1	25.0	28.7
3.2	3.2	2.6	3.1	3.4	3.1	3.3	2.6
26.7%	20.9%	19.9%	23.7%	20.8%	21.1%	21.0%	22.1%

U.S. Lodging Industry—1980
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	$4831	$6359	$9079	$10,666	$12,681
Departmental Expenses					
Payroll & Related Expenses	1026	1262	1497	1869	2019
Other	381	519	631	732	868
Total	1409	1789	2148	2518	3017
Departmental Income	3328	4522	7077	8213	9524
Food & Beverage					
Sales					
Food	2043	2472	3533	4222	5693
Beverage	939	1280	1677	2288	2127
Total	2831	3866	4947	6325	7440
Cost of Sales					
Food	759	941	1318	1497	1836
Beverage	231	304	368	476	455
Total	969	1266	1612	1859	2218
Gross Profit	1900	2597	3311	4437	5188
Public Room Sales	77	90	120	157	224
Other Income	10	18	26	22	71
Gross Profit & Other Income	1977	2680	3595	4666	5561
Departmental Expenses					
Payroll & Related Expenses	1228	1441	1951	2299	2841
Other	332	485	648	825	836
Total	1597	2040	2852	3013	3454
Departmental Income	119	535	797	1311	1649
Telephone Departmental Income	(102)	(94)	98	(52)	(117)
Net Income From Minor Operated Departments	(13)	(7)	11	10	(2)
Rentals & Other Income	111	107	138	173	309
Gross Income	3787	5347	8240	9728	10,845
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	424	479	591	643	758
Other	484	764	1056	1244	1148
Total	879	1450	1680	1821	1883
Marketing	523	615	732	868	801
Energy Costs	614	717	800	861	722
Property Operation & Maintenance	514	712	783	943	908
Total Undistributed Expenses	2627	3489	4182	4680	4558
Income Before Fixed Charges	1063	2192	3772	5259	5845
Property Taxes & Insurance	338	333	457	539	395
Income Before Interest & Depreciation	$ 768	$1404	$3146	$ 4173	$ 5097

[1]Restaurant rental income used.
N-Negligible amount.

Total Sales				Restaurant Not Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $1,400,000	$1,400,000- $2,499,999	$2,500,000- $5,999,999	$6,000,000 & Over		Under 50%	50-74%	75-99%	100% & Over
$6842	$8911	$11,135	$15,545	$7868	$9263	$10,129	$ [illegible]534	$10,783
1211	1517	1864	2340	1135	1548	1743	1789	1801
409	533	864	1182	378	611	792	808	547
1633	2025	2701	3669	1513	2109	2447	2598	2400
5146	6822	8433	11,481	6367	7149	7771	7692	8193
1917	2913	4836	7232	—	2459	4183	5993	8837
1043	1368	2169	2636	—	1120	2049	2709	3598
1428	4342	6770	9781	—	3282	6345	8648	12,791
729	1062	1683	2447	—	866	1484	2184	3314
256	304	468	508	—	242	425	583	829
922	1430	2143	2921	—	1065	1892	2800	3991
1889	2894	4454	6769	—	2203	4400	5925	8427
71	128	191	178	—	118	141	194	355
2	8	42	81	—	16	48	37	44
1981	3012	4799	7038	—	2259	4639	6410	8442
1227	1628	2583	4133	—	1371	2365	3319	3814
344	63	842	1007	—	430	803	1037	1169
1591	2187	3419	5242	—	1822	3141	4352	5015
319	893	1152	1836	299	465	1166	1797	3375
(27)	(51)	(110)	(191)	72	(72)	(110)	(110)	(153)
(79)	(1)	25	71	(35)	N	11	33	98
104	114	191	446	280	130	153	226	309
5539	8012	10,422	13,860	6791	7731	9146	10000	11,858
347	469	831	1040	280	517	716	794	974
656	874	1310	1848	792	918	1031	1363	1202
1034	1481	2131	2863	1106	1451	1788	2087	2190
461	667	897	1116	119	652	883	1053	1207
573	740	895	1121	407	720	854	999	1220
528	684	947	1524	459	698	994	1095	1193
2651	3618	5080	6674	2088	3477	4679	5358	6689
2930	4088	5352	7962	4765	4003	4660	4669	6047
323	408	591	707	322	366	502	577	859
$2345	$2756	$ 4258	$ 6026	$4230	$3014	$3321	$3467	$1976

U.S. Lodging Industry—1980
Ratios to Total Sales

Rooms	Occupancy				
	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	21.4	18.7	17.2	16.4	15.6
Other	8.1	6.9	6.8	6.6	7.0
Total	28.5	25.9	24.2	23.0	23.0
Departmental Income	71.5	74.1	75.8	77.0	77.0
Ratio to Total Sales	42.9	43.0	46.3	47.1	49.4
Food & Beverage					
Sales					
Food	73.1	69.9	71.4	69.7	73.1
Beverage	27.4	30.6	29.2	30.4	27.2
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	39.8	36.8	36.0	35.2	33.2
Beverage	24.7	23.2	22.1	21.4	21.3
Total	35.0	32.7	31.5	30.8	29.7
Gross Profit	65.0	67.3	68.5	69.3	70.3
Public Room Sales	2.8	2.4	2.4	2.9	2.5
Other Income	.3	.5	.5	.4	.8
Gross Profit & Other Income	67.1	69.8	71.0	71.7	72.6
Departmental Expenses					
Payroll & Related Expenses	47.3	43.1	38.5	37.2	40.6
Other	12.9	12.4	11.9	11.8	11.2
Total	58.4	56.3	53.5	50.4	51.9
Departmental Income	6.3	14.6	17.2	21.4	21.2
Ratio to Total Sales	1.4	4.7	5.4	7.2	6.6
Telephone Departmental Income	(1.0)	(1.0)	(.6)	(.3)	(.5)
Net Income From Minor Operated Departments	(.1)	(.1)	.1	.1	N
Rentals & Other Income	1.5	1.0	.9	1.0	1.9
Gross Income	48.3	49.5	53.3	55.4	58.0
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	5.2	4.4	4.1	3.5	3.4
Other	6.0	6.6	6.9	6.4	7.8
Total	10.2	11.4	11.1	10.5	11.5
Marketing	5.8	5.8	4.7	4.8	3.0
Energy Costs	8.3	6.7	5.2	4.7	4.1
Property Operation & Maintenance	6.4	5.8	5.2	5.3	5.0
Total Undistributed Expenses	32.0	31.1	26.6	26.2	23.2
Income Before Fixed Charges	15.8	20.3	27.2	30.0	35.5
Property Taxes & Insurance	4.4	3.4	3.2	3.0	2.5
Income Before Interest & Depreciation	9.7%	10.0%	21.1%	23.7%	27.8%

N-Negligible amount.

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Total Sales				Restaurant Not Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $1,400,000	$1,400,000 - $2,499,999	$2,500,000 - $5,999,999	$6,000,000 & Over		Under 50%	50 - 74%	75 - 99%	100% & Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
18.0	17.5	16.3	16.2	14.4	16.8	17.2	17.4	17.4
6.4	6.1	7.7	7.9	4.9	7.0	7.1	7.2	6.7
24.7	23.5	24.1	24.2	19.5	24.7	24.5	24.5	23.6
75.3	76.5	75.9	75.8	80.6	75.3	75.5	75.5	76.4
51.6	48.2	43.3	42.9	72.8	51.4	43.6	37.9	32.6
65.6	70.2	70.3	73.1	—	70.7	70.7	70.7	73.7
36.5	30.1	29.7	27.0	—	30.0	29.4	29.4	26.3
100.0	100.0	100.0	100.0	—	100.0	100.0	100.0	100.0
38.9	37.6	36.0	32.6	—	36.0	35.2	36.1	37.2
24.9	22.1	22.1	20.4	—	22.7	21.4	22.0	23.0
33.4	32.9	31.5	29.7	—	32.0	31.2	70.7	33.4
66.6	67.1	68.5	70.3	—	68.0	68.8	68.5	66.6
2.8	3.0	2.9	2.1	—	3.1	2.3	2.1	2.0
.1	.2	.6	.9	—	.4	.7	.5	.3
68.7	70.4	71.4	73.0	—	71.5	71.9	70.5	67.9
40.3	37.1	38.6	42.9	—	43.2	38.7	35.6	32.4
12.9	12.4	12.9	10.2	—	13.0	11.6	12.0	9.6
55.5	50.6	51.6	52.9	—	57.3	51.8	49.7	41.5
11.5	20.4	20.0	20.0	—	13.3	20.1	20.4	27.0
3.2	6.1	5.6	7.4	4.3	3.3	7.3	8.9	13.2
(.3)	(.3)	(.6)	(.7)	(.9)	(.6)	(.6)	(.6)	(.8)
(.9)	N	.1	.3	(.5)	N	.1	.2	.5
1.1	.7	1.0	1.6	3.7	.9	1.0	1.2	1.2
56.6	55.4	52.1	52.9	77.5	56.4	52.3	48.7	49.5
3.7	3.3	4.5	4.1	3.3	3.9	3.9	3.7	4.3
7.9	6.3	6.6	6.5	9.0	6.4	6.2	6.8	4.6
11.5	10.6	11.3	10.5	12.2	10.9	10.6	10.8	9.1
5.0	5.1	4.9	4.3	1.5	4.7	4.8	5.1	4.7
6.3	5.5	4.9	4.3	5.2	5.4	5.0	4.7	4.7
5.8	5.2	4.9	5.5	5.3	5.3	5.4	5.4	4.6
28.0	26.9	26.2	25.3	24.5	26.3	26.6	26.2	24.6
31.0	28.2	26.0	27.7	52.1	31.2	24.9	22.6	24.6
3.5	3.1	3.0	2.5	4.4	3.2	3.0	2.8	3.1
26.2%	19.2%	21.1%	21.8%	48.8%	25.3%	19.4%	15.8%	10.2%

U.S. Lodging Industry—1980
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	$10372	$11054	$8711	$8355	$12124
Departmental Expenses					
Payroll & Related Expenses	1833	1720	1553	1251	2091
Other	665	880	516	529	919
Total	2505	2677	2113	1794	2978
Departmental Income	8411	8244	6649	6764	8832
Food & Beverage					
Sales					
Food	3711	3615	3516	2492	5232
Beverage	2275	2281	1678	1160	1873
Total	5625	5175	5009	3344	6999
Cost of Sales					
Food	1325	1344	1342	917	1706
Beverage	469	457	395	263	408
Total	1647	1527	1777	1107	2112
Gross Profit	4124	3617	3393	2133	4757
Public Room Sales	163	93	127	120	227
Other Income	39	47	19	9	46
Gross Profit & Other Income	4536	3861	3467	2259	5065
Departmental Expenses					
Payroll & Related Expenses	2209	1856	1990	1350	3000
Other	729	787	663	422	768
Total	3176	2656	2738	1834	3719
Departmental Income	1060	783	992	484	1492
Telephone Departmental Income	(115)	(85)	(87)	(29)	(127)
Net Income From Minor Operated Departments	7	31	12	(34)	13
Rentals & Other Income	163	262	137	119	275
Gross Income	9313	9094	7868	6954	11221
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	682	783	531	417	860
Other	1004	1038	1009	836	1267
Total	1658	1624	1667	1184	2248
Marketing	914	738	703	451	875
Energy Costs	1092	846	815	611	777
Property Operation & Maintenance	1027	859	841	648	1214
Total Undistributed Expenses	4680	4133	4233	2778	5267
Income Before Fixed Charges	5629	4702	3561	4203	5983
Property Taxes & Insurance	665	527	450	336	423
Income Before Interest & Depreciation	$3430	$3640	$2072	$3258	$4629

U.S. Lodging Industry—1980 Ratios to Total Sales

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	17.6	16.5	18.0	15.7	16.6
Other	6.7	8.0	6.3	6.6	7.6
Total	24.5	25.1	24.5	23.1	24.0
Departmental Income	75.5	74.9	75.5	76.9	76.0
Ratio to Total Sales	46.5	47.8	43.0	54.0	43.6
Food & Beverage					
Sales					
Food	68.7	71.0	69.7	71.9	72.8
Beverage	31.3	29.3	30.5	29.7	27.4
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	35.4	36.1	37.9	36.2	33.1
Beverage	21.7	23.0	23.0	22.2	21.0
Total	30.5	32.3	32.7	31.5	29.6
Gross Profit	69.5	67.7	67.4	68.5	70.4
Public Room Sales	2.6	1.4	2.8	2.8	2.9
Other Income	.6	.6	.4	.3	.7
Gross Profit & Other Income	72.9	69.0	70.2	71.3	73.0
Departmental Expenses					
Payroll & Related Expenses	44.3	38.9	37.5	39.1	42.4
Other	11.5	13.1	12.0	13.0	10.8
Total	57.0	50.8	52.2	57.2	53.0
Departmental Income	12.3	18.9	18.8	14.0	20.4
Ratio to Total Sales	4.6	4.9	7.0	3.5	7.1
Telephone Departmental Income	(.8)	(.6)	(.5)	(.3)	(.5)
Net Income From Minor Operated Departments	N	.4	.1	(.4)	.1
Rentals & Other Income	.8	1.3	.9	.8	1.4
Gross Income	52.5	54.2	51.9	58.2	52.9
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	3.8	3.9	3.7	3.6	4.1
Other	5.8	5.4	6.8	8.1	6.2
Total	9.6	9.3	11.5	12.1	10.7
Marketing	4.7	4.4	5.3	4.6	4.2
Energy Costs	6.1	5.2	5.3	5.2	3.7
Property Operation & Maintenance	4.9	5.2	5.4	5.3	5.6
Total Undistributed Expenses	25.2	25.8	28.2	26.2	24.7
Income Before Fixed Charges	27.6	27.8	24.2	32.1	28.5
Property Taxes & Insurance	4.0	3.0	2.9	3.2	2.1
Income Before Interest & Depreciation	22.9%	23.5%	14.3%	28.3%	21.4%

N-Negligible amount.

Explanation of Terms

Administrative and general expenses

Payroll – Salaries of managing director, manager, executive assistant manager (not on floor duty), their secretaries, and other clerks in managers' offices; accounting office; front office bookkeepers, bill clerks, cashiers, night auditors; credit department; receiving clerks; employment and personnel managers.

Average room rate

Room sales from all sources, including public rooms net of all allowances divided by the total number of rooms occupied during the year. In the monthly *National Trend of Business in the Lodging Industry* we refer to the Average Room Rate as Room Sales per Occupied Room.

Cash payroll

Entire cash payroll of hotel including house laundry and print shop.

Current position

Prepaid expenses are included in current assets and current mortgage payment installments are excluded from current liabilities.

Energy costs

Cost of electrical current, fuel, steam and water net of sales of energy to stores and others.

Income before fixed charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

Income from minor operated departments

Income from guest laundry, valet, cigar-newsstand, barber shop, and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Inventory turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Marketing

Payroll and related expenses for sales, advertising and publicity managers, their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards.

Median—lower quartile—upper quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the hotels represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property operation and maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers; boilermen, firemen; ice pullers, incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms; cost of supplies and outside contracts for painting, repairing of furniture, springs, mattresses and pillows, floor coverings, curtains, draperies and scarves, shades, screens and awnings, electrical and mechanical equipment, elevators and building, other maintenance work and all similar supplies and expenses associated with providing the hotel with heat, light, power and water.

Rentals and other income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food) – Cost of food sold, before and after deduction of the cost of employees' meals.

Cost (Beverages) – Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll – Stewards, chefs, cooks, waiters, waitresses and bus boys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders; stock clerks, storekeepers, cost clerks, checkers, cashiers.

Income, Departmental – Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses, and other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverages) – Gross sales of food and beverages, less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll – Assistant manager, front office clerks, not including bookkeepers, cashiers and bill clerks; housekeeper and assistants; linen room; maids; housemen; bellmen; elevator operators; floor clerks; pages; doormen; house officers and watchmen.

Income, Departmental – Room sales, less room payroll and related expenses and other direct room expenses.

Sales – Total rent income from guest and non-banquet public rooms, less allowances, not including office rentals, etc.

Sales, total

All sales and income, less allowances and cover charges.

Taxes

In calculating Number of Times Taxes Were Earned, taxes include all municipal taxes, such as real estate, personal property, sewer and utility. All payroll taxes are charged to the various departments.

Telephone

Income or Loss, Departmental – Telephone sales, less cost of telephone service, telephone payroll and related expenses, and other direct telephone expense.

Sales – Gross revenue from use of telephone facilities by guests, less allowances. Includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels*. ■

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